



LETIŠTĚ PRAHA, A. S.

2019

ANNUAL REPORT



Foreword by the Chairman of the Board of Directors

Ladies and Gentlemen,

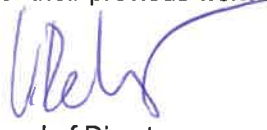
The year 2019 at Letiště Praha, a. s., represents, for the fourth consecutive time, another year in which a historical record in terms of the number of handled passengers was reached. Nearly 18 million passengers passed through the gates of the airport on their way to one of the 165 destinations with direct scheduled connections operated from Prague by a total of 71 air carriers.

Despite the approximate 6% year-on-year increase in the number of handled passengers, the positive trend of faster growth in the number of handled passengers than in aircraft movements continued in 2019, with even a slight year-on-year decrease in the latter category. This is good news primarily for residents of the airport surrounding municipalities, whose quality of life is among our top priorities.

Last year was also one of the most important years with regard to a crucial decision made by the shareholder on the future development of the airport. In November 2019, the Ministry of Finance of the Czech Republic approved an investment in the first phase of the Terminal 2 expansion in the amount of 16 billion Czech crowns. The construction should commence in 2025 and the building should be approved for operations in 2028. We have, nevertheless, already taken preparatory steps towards the airport's long-term development. For example, at the end of last year, we launched operations of a new tanker lorry depot. Our activities regarding other crucial development construction plans, such as the parallel runway, have not diminished either. This particular project advanced to the stage of applying for the land-use permit.

At the beginning of the year, we still expected that 2020 would mark yet another year of ongoing growth. We launched several important development projects both in terminal buildings as well as in the airside. We started taking measures in the area of "customer experience" to ensure that the comfort of passengers would be affected as little as possible by the ongoing construction work and limited operation capacities. Thereafter, however, the threat of infectious disease appeared that impacted the aviation and travel industry in an unprecedented way.

However, I believe firmly that we are strong enough to cope with this complicated period of time. It will not be possible without the considerable support of our employees and partners. I would like to thank them in particular for their previous work and wish them a lot of energy in this demanding year.


Václav Řehoř
Chairman of the Board of Directors
Letiště Praha, a. s.

1. Company Profile

Mission of the Company

The main mission of Letiště Praha, a. s. (hereinafter also referred to as “Prague Airport” or “the Company”) is to operate the international civil airport, Václav Havel Airport Prague, promote its further growth, contribute to the constant development of civil air transport in the Czech Republic, maintain its accessibility to the general public and facilitate modern, fast and comfortable travel for customers.

Prague Airport organises and manages operations at Václav Havel Airport Prague, international civil aviation airport, allocates airport capacity to individual air carriers and provides additional services connected with airport operations, such as handling of passengers and their baggage, parking and catering. Prague Airport also leases airport space for commercial use. The Company is constantly expanding, developing and modernising its services.

Prague Airport co-operates closely with the Ministry of Transport of the Czech Republic, the Civil Aviation Authority, the Air Navigation Services of the Czech Republic, air carriers, public authorities within and outside the aviation sector, and other users of the airport. It also enjoys close cooperation with the City of Prague and municipalities in the vicinity of the airport. Václav Havel Airport Prague is home base to three carriers, namely České aerolinie a.s. (hereinafter referred to as “Czech Airlines”), Ryanair and Smartwings, a.s. (hereinafter referred to as “Smartwings”, formerly “Travel Service, a.s.”).

Prague Airport manages security at Václav Havel Airport Prague in co-operation with other security forces, such as the Police of the Czech Republic. It also has its own specialised fire-fighting unit. Medical service is provided 24/7 by a contracted partner.

Prague Airport is aware of its corporate social responsibility with regard to the impact of its operations on the environment and its surrounding areas. Therefore, it pursues its activities in a way which is considerate and responsible to the environment and the lives of people in the areas surrounding the airport.

Legal Status of the Company

Letiště Praha, a. s., was incorporated by registration in the Commercial Register administered by the Municipal Court in Prague, Section B, Insert 14003, on 6 February 2008.

The Prague Airport Group associates companies active in areas linked to the operations of Václav Havel Airport Prague and related ground services.

The Company is the sole shareholder of B. aircraft, a.s. (hereinafter referred to as “B. aircraft”), Czech Airlines Handling, a.s. (hereinafter referred to as “Czech Airlines Handling”) and Czech Airlines Technics, a.s. (hereinafter referred to as “Czech Airlines Technics”).

The Company has neither a branch nor another part of its business enterprise abroad.

Prague Airport is currently not pursuing any significant research and development activities.

The Company did not acquire its own shares in 2019.

2. Board of Directors’ Report on the Company’s Business Activities and on State of Assets

Prague Airport handled 17.8 million passengers in 2019, representing an overall growth of 6% compared to the year 2018.

The net profit of the Company reached CZK 3,008 million in 2019 and exceeded the budget for the year 2019 by 16%.

The performance of the Company was positively impacted by an increase in air traffic, set up of new routes to new destinations and also by the revenues from non-aviation business activities that go hand in-hand with the fulfilment of the Company's mission, including constant expansion, development and modernisation of its services.

The Company's gross operating profit (EBITDA¹) reached CZK 4,543 million in 2019 and exceed the budget for the year 2019 by 5%, despite a significant year-on-year growth in personnel costs related to the recruitment of new employees and wage increase in accordance with the Collective Agreement.

Total operating revenues of the Company in total amount of CZK 8,959 million, were positively impacted by the passenger growth and within the non-aviation business segment also by higher demand for rent of airport spaces, higher demand for parking services, services of airport restaurant and lounges. The increase in non-aviation business revenue was also supported by the further expansion of the airport capacity and services, for example opening of the new commercial zone in Terminal 2 at the beginning of the year, which includes six shops and a restaurant.

In terms of total operating costs² in total amount of CZK 4,416 million, the Company saved 3% compared to the budget for 2019 thanks to effective operating cost management, which enabled the Company to pay employees extraordinary annual bonuses, continue in planned repairs of the airport infrastructure, expansion of the airport capacity and continue to invest in safety and modern technologies. At the beginning of 2019, the reconstruction of the baggage sorting facility at Terminal 1 and 2 was launched, which will ensure capacity increase and technology modernization. New tank depot was opened at the end of the year.

In 2019, the Company's total assets increased by CZK 1,152 million, from CZK 36,338 million as at 31 December 2018 to CZK 37,490 million as at 31 December 2019. The total assets increased primarily due to the increase in fixed assets by CZK 1,680 million, while the current assets decreased by CZK 527 million primarily due to the decrease in cash in the amount of CZK 516 million.

The Company's fixed assets increased by CZK 1,680 million in 2019, primarily due to the acquisition of fixed assets worth CZK 2,816 million. The depreciation and amortization of fixed assets amounted to CZK 1,159 million.

The Company's equity increased by CZK 1,351 million in 2019. The change in the equity primarily resulted from the 2019 profit in the amount of CZK 3,008 million and the dividend paid to the sole shareholder (Ministry of Finance) in the amount of CZK 1,658 million in accordance with the decision of the General Meeting of Shareholders.

The Liabilities of the Company decreased by CZK 219 million in 2019, primarily due to the repayment of a bank loan by the Company amounting to CZK 714 million. At the same time the liabilities increased due to the dividend withholding tax due in 2020 in the amount of CZK 249 million, increase in other provisions in the amount of CZK 158 million and the increase of long- and short term trade payables in the amount of CZK 155 million.

The Company's financial position was stable for the entire year; the Company was able to meet all its obligations properly and in a timely manner.

The Company's other financial data are disclosed in its annual financial statements for the year 2019, appended to the annual report.

3. Company Management and Governance

General Data

Corporate Name: Letiště Praha, a. s.

Registered in the Commercial Register administered by the Municipal Court in Prague, Section B, Entry 14003

¹ EBITDA – Earnings before interest, taxes, depreciation, and amortization

² Total operating costs – operating costs before depreciation and amortization

Company Reg. No.: 28244532
Company Tax No.: CZ699003361
Date of Incorporation: 6 February 2008
Registered Office: K letišti 1019/6, 161 00 Praha 6, the Czech Republic

Shareholder

The Ministry of Finance, Registration No.: 000 06 947, as a central government body that represents the Czech Republic while exercising its ownership rights, has been the sole shareholder of the Company.

Administrative Bodies

The General Meeting is the supreme body of the Company. It appoints and dismisses members of the Board of Directors and the Supervisory Board with the exception of two Supervisory Board members that are elected by the employees of the Company. The General Meeting also appoints and dismisses members of the Audit Committee.

The Board of Directors is the Statutory Body of the Company. It manages the Company's affairs and acts on behalf of the Company. As at 31 December 2019, there were four members of the Board of Directors.

The Supervisory Board is the controlling body of the Company. It supervises the scope of performance of the Board of Directors and the Company's business activities. There were six members of the Supervisory Board as at 31 December 2019.

The Audit Committee is an independent body of the Company established pursuant to the Act on Auditors and the Articles of Association of the Company. There were three members of the Audit Committee as at 31 December 2019.

Contact

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K letišti 1019/6
161 00 Praha 6
The Czech Republic

Telephone: +420 220 111 888

Data Box: ayqexy5

Internet: www.prg.aero

Board of Directors of the Company

As at 31 December 2019, the Company was managed by the Board of Directors which had four members, between 1 October 2019 and 14 October 2019 there were three members of the Board of Directors.

Chairman of the Board of Directors

Ing. Václav Řehoř, Ph.D., MBA

Vice-Chairman of the Board of Directors

Ing. Jiří Kraus

Member of the Board of Directors

Ing. Jiří Černík

Member of the Board of Directors

Ing. Milan Špaček

Changes to the Board of Directors

Ing. Radek Hovorka – the Vice-Chairman role terminated on 31 December 2018, membership terminated on 30 September 2019

Ing. Jiří Kraus – Vice-Chairman role commenced on 1 January 2019

Ing. Jiří Černík – membership commenced on 15 October 2019

Supervisory Board of the Company

As at 31 December 2019, the Supervisory Board had six members, between 2 March 2019 and 10 June 2019 there were five members of the Supervisory Board.

Chairman of the Supervisory Board

Prof. Jan Švejnar, M.A., Ph.D.

Vice-Chairman of the Supervisory Board

Mgr. Ondřej Landa

Member of the Supervisory Board elected by employees

Jiří Hošek

Member of the Supervisory Board

Ing. Stanislav Kouba, Ph.D.

Member of the Supervisory Board elected by employees

Kamil Pomahač

Member of the Supervisory Board

Ing. Petr Šobotník

Changes to the Supervisory Board in 2019

Ing. Petr Minařík – membership terminated on 1 March 2019

Ing. Stanislav Kouba, Ph.D. – membership commenced on 11 June 2019

Audit Committee

Chairman of the Audit Committee

Ing. Petr Šobotník

Vice-Chairperson of the Audit Committee

Ing. Andrea Lukasíková

Member of the Audit Committee

Ing. Ivo Středa

There were no changes to the Audit Committee in 2019.

4. Human Resources

As at 31 December 2019, Prague Airport employed a total of 2,926 employees.

In terms of the average number of employees in full-time equivalent units, the Company had 2,796 employees in 2019.

The Company's conduct is in compliance with labour laws and directives in effect and the Collective Agreement concluded for the relevant period.

5. Selected 2019 Events and 2020 Outlook

2019 Main Events

January

- In 2018, Václav Havel Airport Prague handles a total of 16,797,006 passengers, representing a 9% increase compared to 2017.

- The Company launches a new marketing campaign to be run throughout the year promoting outgoing tourism and a number of interesting European destinations. The campaign focuses on places in Croatia, Italy, France and Spain which passengers can easily reach via direct scheduled connections from Václav Havel Airport Prague.
- On 16 January 2019, the winner of a tender for the architectonic solution of airport parking buildings and connected structures is announced. D3A LLC architectonic studio is announced as the winner of the tender.
- On 23 January 2019, a new Commercial Zone featuring six retail shops is ceremonially opened in Terminal 2. The new commercial zone project is a response to the growing number of passengers and the largest extension of the Terminal 2 commercial area since its launch of operations in 2006.
- Georgian Airways announces its plan to increase the number of flights on its route to Tbilisi, the capital of Georgia.

February

- Effective March 2019, Ural Airlines is to offer passengers up to six connections a week from Prague to Yekaterinburg.
- A new Bordeaux connection offered by Ryanair will be operated twice a week from 27 October 2019. The carrier also confirms its plan to launch one frequency a week on its Prague – Mallorca route from June 2019.
- China Eastern Airlines confirms the increase in the number of flights on its Prague – Shanghai route to five weekly services, effective May 2019.
- Prague Airport Internal Audit department successfully passes 'The Audit of Audits' certification process with The Institute of Internal Auditors (IIA).

March

- Automated tracks of the Central Baggage Screening detection station change to a remote screening mode, effective 4 March 2019.
- The extension of the fourth check-in isle in Terminal 1 is completed.
- Rossiya Airlines confirms the carrier will increase the number of flights on its Prague – St. Petersburg, Russia, route during the summer schedule. From 24 May to 29 September 2019, three flights a week will be added to the current daily connection.
- Ryanair announces the launch of its Manchester route with nine weekly frequencies, effective the start of the winter schedule.
- SCAT Airlines confirms the launch of a new regular scheduled route between Prague and Astana in June 2019.
- Prague Airport is voted the best European airport in the category of airports handling 15-25 million passengers a year, based on a customer satisfaction survey.
- airBaltic increases capacity and comfort on selected flights from Latvia to Prague thanks to a larger type of aircraft being used to service these flights, namely Airbus A220-300, and better operation times.
- On 31 March 2019, the summer schedule comes into effect. During the period of its validity, a total of 69 carriers will operate regular scheduled direct flights from Prague, servicing a total of 162 destinations in 54 countries. There will also be direct connections to 16 long-haul destinations, which is the highest number in the modern history of Prague Airport.

April

- Prague Airport receives recognition from the Art Directors Club Creative Awards for its destination marketing campaign launched in New York in December 2018.
- On 5 April 2019, it is exactly 82 years since the launch of aviation operations at the airport in Prague, which, under the name of Václav Havel Airport Prague, now offers flight to destinations worldwide.
- The Russian air carrier, Ural Airlines, increases the number of flights from Prague to Zhukovsky International Airport close to Moscow with the start of the summer schedule. The airline will service flights between the two cities on a daily basis under the summer schedule.
- The airport's Video Story wins the "Best Corporate Video Presentation" category of the Gold Semicolon competition.
- On 17 April 2019, the 2019 AIRCRAFT EVAC training takes place, testing the readiness and co-operation of the airport's Fire Fighting Unit.
- Prague Airport enters into a strategic partnership agreement with Sichuan Airlines.
- Prague Airport signs a Memorandum of Understanding regarding co-operation on the development of a direct scheduled connection and an increase in tourism between the Czech Republic and Vietnam with Bamboo Airways. Negotiations regarding the Prague – Hanoi route are to take place on its basis.
- The first European airport shop of the brand is opened by Baťa in Terminal 2.
- Prague Airport and Václav Havel Library agree on the installation of a new artefact commemorating the legacy of the late Czech President. The piece is to replace the current installation in the public area of Terminal 2.
- As the first airport in Europe to do so, Prague Airport launches co-operation with Hartsfield-Jackson International Airport in Atlanta. Representatives of both airports sign a co-operation agreement in the United States at the beginning of April, with the main objective of promoting the economic growth and development of both airports'.
- Prague Airport adopts a unified policy to replace the individual policies of several areas currently in place. The document declares principles, sets long-term goals and strategies of the Company, in accordance with the Company's 'Code of Conduct and Ethical Principles' document.

May

- On 1 May 2019, some call centre activities originally performed by Czech Airlines Handling, a.s., are assumed by Prague Airport, which will now operate its own call centre.
- The Portuguese air carrier, TAP Air Portugal, celebrates the 15-year anniversary of its direct scheduled connection between Prague and Lisbon.
- A new bistro called '1 minute' launches its operation in the Terminal 2 Departure Hall, combining over-the-counter sales with a self-service kiosk offering fresh coffee and snacks.
- Korean Air celebrates the 15-year anniversary of the launch of its regular scheduled Prague – Seoul route.
- Fjällraven, a company featuring a polar fox in its logo and specialising in outdoor fashion, accessories and other practical items, opens a branch in Terminal 1.

June

- Lagardère Travel Retail wins the concession proceedings for the operator of airport duty free shops.
- Moody's Investors Service, a renowned international rating agency, assigns Prague Airport an A1 rating with a positive outlook.
- Regular spring maintenance, including additional necessary work, is performed on the main 06/24 runway. Operations are handled by the 12/30 side runway.
- For the first time in the airport's history, an Airbus A350-900, in a 343-passenger configuration, lands at Václav Havel Airport Prague as a result of a capacity replenishment collaboration between Smartwings, a.s., and Ethiopian Airlines, not part of regular schedule or re-routing.
- A new relaxation zone, which can accommodate up to 100 people, launches its operations in Terminal 2.

- Prague Airport and the Air Navigation Services of the Czech Republic sign a Memorandum of Understanding regarding co-operation on operational safety and the coordination of development and investment activities at the airport, with the highest priority being airfield operational safety.
- United Airlines launches its direct seasonal service connecting Václav Havel Airport Prague and the carrier's base at Newark Liberty International Airport, close to New York.
- On 2 June 2019, SCAT Airlines launches its flights to Nur Sultan (formerly Astana) in Kazakhstan.
- S7 Airlines confirms the addition of a third frequency on flights between Prague and Novosibirsk, effective the start of the 2020 summer schedule.

July

- SkyUp Airlines launches ticket sales for its two new routes between Prague and Ukraine, to Kharkiv and Lviv.
- LOT Polish Airlines announces the launch of its new regular scheduled route between Prague and Budapest.
- Václav Havel Airport Prague handles a total of 7,841,865 passengers during the first half of the year, representing a 5% year-on-year increase.
- The low-cost carrier, Wizz Air, confirms the launch of its flights between Prague and Kishinev during the winter schedule, while easyJet announces the launch of the carrier's new regular scheduled route between Prague and Geneva.
- Air Malta celebrates the 20th anniversary of its direct scheduled connection from Malta to Prague. Concurrently, Air Malta announces the extension of operations of its flight to the Mediterranean island until the New Year, i.e. until 4 January 2020.
- Cyprus Airways announces the extension of operations of its Prague – Larnaca route, which the carrier will now service during the winter season.
- The Björn Borg brand opens its first shop in the Czech Republic at the airport, offering sports fashion for children and adults.

August

- Prague Airport builds a new fenced-in observation deck. Participants of selected airport tours can thus watch aircraft take off and land from close proximity outside the airport tour bus.
- The second airport Burger King fast-food restaurant launches its operations in the Terminal 1 public area.
- A new digital navigation system, located at the Terminal 1 Pier B entrance, is now available to passengers, offering information in a total of six languages. The system provides information on digital screens that are automatically adjusted during the day to reflect the current traffic and passenger flow.
- easyJet announces the launch of its next regular scheduled connection between Prague and London, namely to London Luton airport.
- Václav Havel Airport Prague is to feature another direct scheduled route to the United States, effective the start of the next summer schedule. American Airlines announces the launch of its new seasonal route between Prague and Chicago.
- Prague Airport launches operations of a refurbished AeroRooms Hotel located in the corridor connecting Terminals 1 and 2.
- On 1 August 2019, Ryanair celebrates 5 million handled passengers at Václav Havel Airport Prague since April 2014.
- Ural Airlines announces the launch of its new regular scheduled route between Prague and Perm in Russia.

September

- Smartwings, a.s., and Czech Airlines increase the number of flights on the carriers' regular scheduled routes from Václav Havel Airport Prague. Czech Airlines increases the number of frequencies on its Kyiv and Moscow flights during the winter schedule and will extend operations on its Beirut, Odessa and Keflavik in Iceland flights until the start of the winter schedule. Smartwings, a.s., is to offer flights on its Prague – Rostov-on-Don route three times

a week and increase the number of frequencies on its Prague – St. Petersburg route. Traditionally, the carrier will also renew its service to Dubai in the United Arab Emirates during the winter schedule.

- The Spanish carrier, Vueling, launches a new regular scheduled route from Prague to Florence, the tourist attraction in Tuscany.
- Croatia Airlines celebrates 30 years of operation at Václav Havel Airport Prague.
- For the sixth time, Prague Airport receives an award in the Czech Honey contest. The gold medal won confirms the long-term top quality of honey produced by bees kept on Prague Airport's premises.
- On 18 September 2019, Ural Airlines launches its new route to Perm in Russia. The connection will be operated twice a week.
- A Prague Airport representative attends the World Routes 2019 conference, a platform to discuss the options of developing existing air connections and entering new markets, held in Adelaide, Australia, from 21 to 24 September 2019.

October

- On Sunday, 27 October 2019, a winter schedule comes into effect at Václav Havel Airport Prague, offering regular scheduled connections to 121 destinations in 46 countries worldwide.
- SkyUp Airlines launches operations on its regular scheduled routes between Prague and Lviv and Prague and Kharkiv.
- Prague Airport records a 6% year-on-year increase in the number of handled passengers from July to September 2019. In total, 5,812,597 passengers pass through the gates of the airport this summer, with August being the busiest month and September recording the greatest year-on-year increase in the number of handled passengers. Traditionally, London becomes the most popular destination during the reviewed period, while Antalya is the most popular among holiday destinations.
- The low-cost carrier, Ryanair, announces the launch of two new regular scheduled routes between Prague and Greece. During the next summer schedule, the carrier will operate flights from Václav Havel Airport Prague to Thessaloniki and the Greek island of Rhodes.
- On 7 October 2019, i.e. on the day KLM celebrates its anniversary, the airport commemorates the 100th anniversary of the establishment of the air carrier, the oldest airline in the world.
- The Prague Airport external communications team receives first prize in the PR Team of the Year category of the Spokesperson of the Year contest held annually by PR Klub, an organisation associating PR professionals.
- Prague Airport launches its new initiative, 'Plastic Waste Doesn't Fly Here', to reduce the consumption of disposable plastics on airport premises. The airport wishes to motivate passengers to minimise or completely abandon the use of this kind of plastic products. The airport also wishes to gradually reduce its own consumption of plastic packaging and involve its business partners in the initiative.

November

- Prague Airport Board of Directors approves a plan to reduce CO₂ emissions by 60% by 2025, compared to the 2009 value, and to achieve carbon neutrality by the end of 2030, concurrently approving investment in purchasing guarantees of origin of electricity from renewable sources for up to 100% of electricity consumed by Prague Airport.
- On 25 November 2019, representatives of Prague Airport trade unions and the Company management sign a Collective Agreement.
- The website of Prague Airport: www.prg.aero, is recognised in the 18th year of the WebTop100 competition, which is the largest competition in digital marketing in the Czech Republic, winning first place in the Tourism category.
- The Ministry of Finance, as the sole shareholder of Prague Airport, approves an investment in the first phase of the expansion of Terminal 2, totalling approximately CZK 16 billion.
- On 13 November 2019, a press briefing is held at the airport, attended by the Prime Minister and representatives of the Ministry of Finance, regarding Prague Airport development plans following the Company Long-term Concept and Strategy approval by the Ministry of Finance.
- Rossiya Airlines confirms an increase in the number of flights on its Prague – St. Petersburg in Russia route, effective the start of the 2020 summer schedule.

- A representative of the Route Development department attends the 145th IATA Slot Conference, held from 12 to 15 November 2019.
- On the night of 27 November 2019, from 1:00 to 4:00 a.m., a training exercise is held in cooperation with the Police of the Czech Republic and El Al airlines, called 'Attack Fall 2019', attended by almost 300 people.

December

- SunExpress, an air carrier jointly operated by Lufthansa and Turkish Airlines, announces the launch of a new route between Prague and Izmir in Turkey.
- Ural Airlines announces the launch of a new direct scheduled connection between Prague and Rostov-on-Don on 21 February 2020, with flights offered on Fridays.
- Prague Airport funds the restoration of a memorial to the victims of World War II after more than 43 years since its original unveiling.
- Ryanair announces the launch of its new route from Prague to Corfu in Greece, available to passengers from June 2020 once a week as part of next year's summer schedule.
- American Airlines extends operations on its seasonal Prague – Philadelphia route until January 2021.
- Prague Airport launches operations of a brand-new tanker lorry depot with a maximum capacity of 34 parking places and an approximately 2.4km-long new underground pipeline system for the supply of aviation fuel.
- A historic record is reached for the fourth time in a row. Before noon on 13 December 2019, the mark of 17 million handled passengers within one calendar year is reached.
- The low-cost carrier, Wizz Air, announces its plan to service flights from Václav Havel Airport Prague to Bucharest from 1 July 2020.
- On 6 December 2020, EL AL Israel Airlines, as an exception, uses Boeing 787-9 Dreamliner, which is one of the most modern aircraft of our times, to operate the carrier's route from Tel Aviv to Prague.
- In line with the Ministry of Finance of the Czech Republic's decision, a dividend in the required amount is paid to the sole shareholder of the airport.

2020 Subsequent Events Prior to the Annual Report Signing Date

January

- SCAT Airlines announces its plan to increase the number of frequencies on its route between Prague and Nur-Sultan (formerly Astana) during the next summer season.
- In 2019, Václav Havel Airport Prague handles a total of 17,804,900 passengers. Thus, approximately one million more passengers pass through the gates of the airport than in 2018, representing another historic record year-on-year increase of 6%.
- On the occasion of celebrating the 70th anniversary of diplomatic relations between the Czech Republic and Vietnam were established, Bamboo Airways shares its plan to launch a direct scheduled connection between the two countries in Prague. According to the information provided by the carrier, the new long-haul route is to connect Prague with Hanoi from the start of effect of the summer schedule.
- On 10 January 2020, the Praha restaurant temporarily ceases its operation due to reconstruction. For four months, the airport Congress Hall becomes an improvised canteen to replace the restaurant capacity.
- In January, preventive measures are adopted to address the spread of the coronavirus. Prague Airport is in close cooperation with respective state authorities responsible for public health, Ministry of Health, Ministry of Foreign Affairs and Ministry of Transport.

February

- SkyUp Airlines launches ticket sales on its new regular scheduled route between Prague and Zaporizhia in Ukraine. The carrier plans to service three destinations from Prague, this one twice a week effective 29 March 2020.

- Prague Airport starts intensive preparations for changes in the process of handling arising from the reconstruction of the baggage handling system in Terminal 1, causing a transfer of handling of certain flights from Terminal 1 to Terminal 2.
- The Company continues close coordination of its measures against the coronavirus with respective authorities. Effective 9 February 2020, all direct flights between China and the Czech Republic are suspended.
- The "Covid-19" Project under the Business Continuity Process is launched and Mr. Milan Špaček, Member of the Board of Directors, is appointed as Project Leader.

March

- Following the suspension of flights from China, the Government of the Czech Republic imposes flight restrictions on flights from South Korea and northern Italy.
- After the Government of the Czech Republic declares the state of emergency and related travel restrictions, activities of many airlines operating flights to/from Prague are significantly reduced.

No additional subsequent events, other than those aforementioned and the events mentioned in the financial statements, occurred which could have affected the Annual Report in a substantial manner.

2020 Outlook

Economic Situation

The 2020 Business Plan was drafted taking into account the year's macroeconomic outlook that had appeared to be positive for the Company. Europe was expected to see a growth of 1.7% and the Czech Republic was also expected to grow. This created an opportunity for the airport as well. Thus, in 2020, Prague Airport forecast an increase in passenger numbers of about 3.8% and an increase in aircraft movements of 1.2% compared to 2019. The economic impact of the current coronavirus on the aviation industry is hard to predict at the moment. Therefore, the Board of Directors is carefully monitoring the situation and is taking all necessary measures.

Prague Airport Uses New Routes to Enhance Its Appeal

One of the goals of the long-term strategy is to have direct connections with all European capitals and holiday destinations. The Company's portfolio still lacks, for example, Vilnius, Tallinn, Stuttgart, Alicante and Turin. Other important destination outside of Europe, such as Tbilisi, Yerevan, Tashkent or Almaty, are also among our candidates for direct flights. The Company will try to attract carriers in routes to particular Asian destinations, such as New Delhi, Taipei, Hongkong, Bangkok and Tokyo. The Company is actively offering these destinations to carriers and has recently managed to secure a long-negotiated direct scheduled connection to Hanoi, Vietnam, which will be operated by Bamboo Airways during the summer schedule. Prague Airport would also welcome more connections to the United States, such as Atlanta, Boston and Miami. Concurrently, the Company will attempt to achieve the extension of existing connections to year-round operations. This goal has been partially accomplished with the route to Philadelphia, which American Airlines has extended until January 2021.

Prague Airport Plans Major Investments

This year, Prague Airport is planning to implement over 200 investment projects. The largest scheduled investment is the refurbishment of the baggage sorting system in Terminal 1 that will result in lower handling capacity in Terminal 1, causing changes in handling operations for several months.

Key Construction Investment Projects of 2020

- Refurbishment of the baggage sorting system in Terminal 1
- Extension of the SOUTH wastewater treatment plant
- Construction of a new TWY R taxiway
- Reconstruction of the taxiways AxBxDxG crossing
- Demolition and remediation of the existing tanker lorry depot
- Main sewage line NORTH – first phase

- Demolition and remediation of the existing tanker lorry depot
- Main sewage line NORTH – first phase

Long-term Development Work Continues; In 2020, Prague Airport would like to see completed:

- A tender for the project documentation of the Extension of Terminal Capacities development project – Phase 1
- The selection process of a partner to finalise the architectural study of the A and B Parking Buildings, Skywalk and Plaza, including the subsequent documentation process
- Project documentation for the modification of the airport elevated road

6. Disclosure of Information Pursuant to Act No. 106/1999 Coll., on Free Access to Information

In the period from 1 January 2019 to 31 December 2019, Letiště Praha, a. s., received fifteen submissions identified as requests for information under Act. No. 106/1999 Coll., on Free Access to Information, as amended (hereinafter referred to as the „Act on Free Access to Information“).

The number of issued Decisions on the requests for information: 10

The number of issued Decisions declining the request: 6

The number of issued Decisions deferring the request: 0

The number of appeals lodged against the Decision declining the request: 1

The number of complaints regarding the process of handling the request for information: 0

In the reporting period, Letiště Praha, a. s., did not receive any reimbursement of cost associated with the provision of information pursuant to the Act on Free Access to Information.

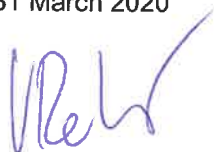
Letiště Praha, a. s., is in the legal dispute with GO parking s. r. o., concerning the provision of information under the Act on Free Access to Information.

During the defined period, Letiště Praha, a. s., did not provide any information subject to copyright protection under a license or sub-license agreement pursuant to provisions of Section 14a of the Act on Free Access to Information.

7. Responsibility for the Annual Report

The Board of Directors hereby declares that the information included in the 2020 Annual Report corresponds to the real situation and gives a true and fair view of the Company's financial situation, business activities and results of its operations for the previous accounting period and that no fundamental circumstances were omitted that might affect the precise and correct assessment of the performance, activities and economic position of Letiště Praha, a. s.

In Prague on 31 March 2020



Ing. Václav Řehoř, Ph.D., MBA
Chairman of the Board of Directors
Letiště Praha, a. s.



Ing. Jiří Černík
Member of the Board of Directors
Letiště Praha, a. s.

8. Annexes

- Report of the Board of Directors of the Company on Relations
- Report of the Supervisory Board of the Company
- Report of the Audit Committee of the Company
- Financial Statements of Letiště Praha, a. s., according to the Czech Accounting Standards for the Year Ended on 31 December 2019
 - Balance Sheet as at 31 December 2019
 - Profit and Loss Statement for the Year Ended on 31 December 2019
 - Statement on Changes in Equity for the Year Ended on 31 December 2019
 - Cash-Flow Statement for the Year Ended on 31 December 2019
 - Notes to the Financial Statements for the Year Ended on 31 December 2019
- Independent Auditor's Report to the Shareholder of the Company

Report on Relations between the Controlling Entity and the Controlled Entity and between the Controlled Entity and other Entities Controlled by the Same Controlling Entity

Drafted by Letiště Praha, a. s. Board of Directors pursuant to Section 82, Chapter 1 of Act No. 90/2012 Coll., as amended, on Business Corporations and Cooperatives (the Business Corporations Act) for the reference period from 1 January 2019 to 31 December 2019.

SECTION I CONTROLLING ENTITY, CONTROLLED ENTITY AND OTHER ENTITIES CONTROLLED BY THE SAME CONTROLLING ENTITY

1. Controlled Entity

Letiště Praha, a. s.

With its registered seat at: K letišti 1019/6, Ruzyně, 161 00 Prague 6,

Company Identification Number: 282 44 532,

Registered in the Commercial Register administered by the Municipal Court in Prague, Section B, Entry 14003

(hereinafter referred to as “**the Controlled Entity**”).

The Controlled Entity is a business corporation primarily focusing on operating the international civil airport, Václav Havel Airport Prague. Its scope of business is outlined in detail in the company’s Articles of Association.

2. Controlling Entity

The Ministry of Finance

With its registered seat at: Letenská 525/15, Malá Strana, 118 00 Prague 1,

Identification Number: 000 06 947

(hereinafter referred to as “**the Controlling Entity**”).

The Controlling Entity is a central government authority, established by the Act No. 2/1969, Coll., as amended, on the Establishment of Ministries and Other Central Government Authorities of the Czech Republic (hereinafter referred to as “the Competence Act”).

3. Role of the Controlled Entity

Letiště Praha, a. s. is an integral part of the Letiště Praha Group, also comprised of Czech Airlines Handling, a.s., providing ground handling of passengers, including their baggage, cargo and post and handling of aviation fuel (aircraft refueling), Czech Airlines Technics, a.s. performing aircraft hangar maintenance and B. aircraft, a.s., focusing primarily on leasing of aircrafts to air carries. In addition to the operation of Václav Havel Airport Prague the Controlled Entity also carries out coordination, financial and strategic management, implementation of synergies and provision of shared services within the Letiště Praha Group.

4. Other Entities Controlled by the Same Controlling Entity

(hereinafter referred to as “**the Related Entities**”)

1. ČEPRO, a.s.

With its registered seat at: Dělnická 213/12, Holešovice, Post Code: 170 00 Prague 7

Company Identification Number: 601 93 531

Registered in the Commercial Register administered by the Municipal Court in Prague, Section B, Entry 2341.

The company focuses primarily on production and processing of fuel and lubricants, fuel distribution and hazardous waste handling. Its scope of business is outlined in detail in company’s Articles of Association.

2. Česká exportní banka, a.s.

With its registered seat at: Prague 1, Vodičkova 34 č.p. 701, Post Code: 11121

Company Identification Number: 630 78 333

Registered in the Commercial Register administered by the Municipal Court in Prague, Section B, Entry 3042.

The company focuses primarily on activities pursuant to section 1, Chapter 1 and 3 of Act No. 21/1992, Coll., as amended, on Banks and on provision of investment services pursuant to Act. No. 256/2004, Coll., as amended, on Capital Market Business. Its scope of business is outlined in detail in company's Articles of Association.

3. ČEZ, a. s.

With its registered seat at: Prague 4, Duhová 2/1444, Post Code: 140 53

Company Identification Number: 452 74 649

Registered in the Commercial Register administered by the Municipal Court in Prague, Section B, Entry 1581.

The company focuses primarily on electricity production, electricity and gas trade, production and distribution of thermal energy, installation, repairs and maintenance of reserved electrical equipment, production of low voltage switchgear and production and import of chemicals and chemical products. Its scope of business is outlined in detail in company's Articles of Association.

4. Exportní garanční a pojišťovací společnost, a.s.

With its registered seat at: Prague 1, Vodičkova 34/701, Post Code: 11121

Company Identification Number: 452 79 314

Registered in the Commercial Register administered by the Municipal Court in Prague, Section B, Entry 1619.

The company focuses primarily on insurance activities pursuant to the Insurance Act within the scope of non-life insurance. Its scope of business is outlined in detail in company's Articles of Association.

5. GALILEO REAL, k.s.

With its registered seat at: Thámova 181/20, Post Code: 186 00 Prague 8

Company Identification Number: 261 75 291

Registered in the Commercial Register administered by the Municipal Court in Prague, Section A, Entry 42738.

The company focuses primarily on real estate agency work, trade brokering, factoring and forfaiting. Its scope of business is outlined in detail in company's Articles of Association.

6. HOLDING Kladno a.s. "v likvidaci"

With its registered seat at: Cyrila Boudy 1444, Kladno – Kročehlavy, Post Code: 272 01

Company Identification Number: 451 44 419

Registered in the Commercial Register administered by the Municipal Court in Prague, Section B, Entry 1335.

The company focuses primarily on production and trade of crude steel, fine section steel, medium carbon steel, raw steel – wide and drawn, tubes, welded steel pipes (except precisely welded), metal forming rollers. Its scope of business is outlined in detail in company's Articles of Association.

7. IMOB a.s.

With its registered seat at: Thámova 181/20, Karlín, Post Code: 186 00 Prague 8

Company Identification Number: 601 97 901

Registered in the Commercial Register administered by the Municipal Court in Prague, Section B, Entry 2651.

The company focuses primarily on real estate agency work, leasing and renting real estate and business, financial, organisational and economic consultancy. Its scope of business is outlined in detail in company's Articles of Association. The company is the general partner of the GALILEO REAL, k.s. related entity.

8. Kongresové centrum Praha, a.s.

With its registered seat at: 5. května 1640/65, Nusle, Post Code: 140 00 Prague 4

Company Identification Number: 630 80 249

Registered in the Commercial Register administered by the Municipal Court in Prague, Section B, Entry 3275.

The company focuses primarily on organizing congresses, symposia, trade-fairs, exhibitions and other social gatherings as well as hospitality services. Its scope of business is outlined in detail in company's Articles of Association.

9. MERO ČR, a.s.

With its registered seat at: Kralupy nad Vltavou, Veltruská 748, Post Code: 27801

Company Identification Number: 601 93 468

Registered in the Commercial Register administered by the Municipal Court in Prague, Section B, Entry 2334.

The company focuses primarily on production, installation and repairs of electrical appliances and machinery, constructions, modifications and rectification of modifications of buildings and construction design. Its scope of business is outlined in detail in company's Articles of Association.

10. MUFIS a.s.

With its registered seat at: Prague 1, Jeruzalémská 964/4, Post Code: 11000

Company Identification Number: 601 96 696

Registered in the Commercial Register administered by the Municipal Court in Prague, Section B, Entry 2517.

The company focuses primarily on trade and service brokerage and advisory and consultancy activities. Its scope of business is outlined in detail in company's Articles of Association.

11. Ormilk, a.s. v likvidaci

With its registered seat at: Žamberk, Post Code: 56401

Company Identification Number: 601 09 092

Registered in the Commercial Register administered by the Regional Court in Hradec Králové, Section B, Entry 1043.

The company focuses primarily on production of dairy products. Its scope of business is outlined in detail in company's Articles of Association. The Company ceased to exist (was deleted from the Commercial Register) on 21/09/2019.

12. PRISKO a.s.

With its registered seat at: Thámova 181/20, Karlín, Post Code: 186 00 Prague 8

Company Identification Number: 463 55 901

Registered in the Commercial Register administered by the Municipal Court in Prague, Section B, Entry 1729.

The company focuses primarily on management and settlement of assets and liabilities related to privatised property. Its scope of business is outlined in detail in company's Articles of Association.

13. Severočeské mlékárny, a.s. Teplice

With its registered seat at: Teplice 41503, Libušina 2154

Company Identification Number: 482 91 749

Registered in the Commercial Register administered by the Regional Court in Ústí nad Labem, Section B, Entry 438.

The company focuses primarily on production of dairy products. Its scope of business is outlined in detail in company's Articles of Association.

14. THERMAL-F, a.s.

With its registered seat at: Karlovy Vary, I.P.Pavlova 2001/11, Post Code: 36001

Company Identification Number: 254 01 726

Registered in the Commercial Register administered by the Regional Court in Plzeň, Section B, Entry 813.

The company focuses primarily on hospitality services, healthcare services, tanning salon operations, massages, reconditioning and regeneration services. Its scope of business is outlined in detail in company's Articles of Association.

15. VIPAP VIDEM KRŠKO d. d.

With its registered seat at: Tovarniška ulica 18, 8270 Krško, the Republic of Slovenia

Company Identification Number: 5971101000

Registered in the Business Register administered by the Republic of Slovenia.

The company focuses primarily on production of pulp from wood and other fibrous materials and on production of paper and cardboard. Its scope of business is outlined in detail in company's Articles of Association. The company was controlled by the Controlling entity only for a part of the reference period, from 1/1/2019 until 14/11/2019.

16. Výzkumný a zkušební letecký ústav, a.s. (in English The Aerospace Research and Test Establishment)

With its registered seat at: Prague - Letňany, Beranových 130, Post Code: 19905

Company Identification Number: 000 10 669

Registered in the Commercial Register administered by the Municipal Court in Prague, Section B, Entry 446.

The company focuses primarily on research and development in natural, technical and social sciences. Its scope of business is outlined in detail in company's Articles of Association.

5. Other Entities Controlled by the Controlled Entity

1. Czech Airlines Handling, a.s.

With its registered seat at: Prague 6, Aviatická 1017/2, Post Code: 16008

Company Identification Number: 256 74 285

Registered in the Commercial Register administered by the Municipal Court in Prague Section B, Entry 17139.

The company provides handling services at Václav Havel Airport Prague, including technical and operational dispatch of aircraft on aprons, handling of passengers including their baggage, cargo and post. Its scope of business is outlined in detail in company's Articles of Association. The Controlled Entity owns 100% shares of the company.

2. Czech Airlines Technics, a.s.

With its registered seat at: Prague 6 - Ruzyně, Jana Kašpara 1069/1, Post Code: 16008

Company Identification Number: 271 45 573

Registered in the Commercial Register administered by the Municipal Court in Prague, Section B, Entry 9307.

The company focuses primarily on aircraft repair and maintenance, modifications and construction changes to aircraft, aircraft engines, propellers, aircraft parts and devices and aviation ground facilities. Its scope of business is outlined in detail in company's Articles of Association. The Controlled Entity owns 100% shares of the company.

3. B. aircraft, a.s.

With its registered seat at: Prague 6 - Ruzyně, Jana Kašpara 1069/1, Post Code: 161 00

Company Identification Number: 242 53 006

Registered in the Commercial Register administered by the Municipal Court in Prague, Section B, Entry 18408.

The company focuses primarily on providing operating leasing of aircrafts. Its scope of business is outlined in detail in company's Articles of Association. The Controlled Entity owns 100% shares of the company.

6. Other Entities Controlled by the Related Entities

IMOB a.s.

- ▶ **SLOVIM s.r.o.**, with its registered seat at: Anglická 140/20, Vinohrady, 120 00 Prague 2, Company Identification Number: 082 07 763, the Related Entity owns business share in the amount of 100%.

MERO ČR, a.s.

- ▶ **MERO Germany AG**, with its registered seat at: MERO - Weg 1, 850 88 Vohburg an der Donau, SRN, Company Identification Number: 152122768, the Related Entity owns 100% shares of the company.

PRISKO a.s.

- ▶ **OKD, a.s.**, with its registered seat at: Stonavská 2179, Doly, 735 06 Karviná, Company Identification Number: 059 79 277, the Related Entity owns 100% shares of the company.

Výzkumný a zkušební letecký ústav, a.s.

- ▶ **VZLU TECHNOLOGIES, a.s.**, with its registered seat at: Beranových 130, 199 00 Prague, Letňany, Company Identification Number: 291 46 241, the Related Entity owns 100% shares of the company.
- ▶ **VZLU TEST, a.s.**, with its registered seat at: Beranových 130, 199 00 Prague, Letňany, Company Identification Number: 045 21 820, the Related Entity owns 100% shares of the company.
- ▶ **SERENUM, a.s.**, with its registered seat at: Beranových 130, 199 00 Prague, Letňany, Company Identification Number: 014 38 875, the Related Entity owns 100% shares of the company.

VIPAP VIDEM KRŠKO d.d.

- ▶ **LEVAS Krško d. o. o.**, with its registered seat at: Tovarniška ulica 18, 8270 Krško, the Republic of Slovenia, Company Identification Number: 5498325000, the Related Entity owns an 84.3128% share of the company.
- ▶ **VIPAP VERTRIEBS UND HANDELS GMBH**, with its registered seat at: Josef Huber strasse 6, 2620 Ternitz, Austria, Company Identification Number: 6006027, the Related Entity owns 100% shares of the company.

Entities controlled by ČEZ, a. s.

- ▶ due to high number of business corporations directly or indirectly controlled by ČEZ, a.s., the Controlled Entity refers to the ČEZ, a.s. website.

SECTION II RELATIONS BETWEEN THE CONTROLLING ENTITY AND THE CONTROLLED ENTITY AND THE RELATED ENTITIES

1. Structure of Relations

▶ The Controlling Entity owns the following business share in the Related Entities::

Related Entity	Share	Note
CEPRO, a.s.	100,00 %	
Česká exportní banka, a.s.	84,00 %	
ČEZ, a.s.	69,78 %	
Exportní garanční a pojišťovací společnost, a.s.	100,00 %	
GALILEO REAL, k.s.	100,00 %	
HOLDING Kladno a.s., "v likvidaci"	96,85 %	
IMOB a.s.	100,00 %	
Kongresové centrum Praha, a.s.	54,35 %	
Letiště Praha, a. s.	100 %	
MERO ČR, a.s.	100,00 %	
MUFIS a.s.	49,00 %	
Ormlink, a.s. v likvidaci	46,99 %	Company ceased to exist (was deleted from the Commercial Register) on 21/9/2019.
PRISKO a.s.	100,00 %	
Severočeské mlékárny, a.s. Teplice	40,78 %	
THERMAL-F, a.s.	100,00 %	
VIPAP VIDEM KRŠKO d. d.	96,50 %	The Controlling Entity transferred its business share to a non-controlled entity on 14/11/2019.
Výzkumný a zkušební letecký ústav, a.s.	100,00 %	

2. Methods and Means of Control

The Controlling Entity owns 100% shares of the Controlled Entity. Control is thus executed primarily through voting rights of the Controlling Entity as the sole shareholder in the capacity of General Meeting of the Controlled Entity. In this way, the Controlling Entity is able to ensure appointments and removals of its representatives and other parties to/from company statutory bodies and is thus able to influence business activities of the Controlled Entity.

During the reference period, the Controlling Entity had two representatives in the Supervisory Board of the Controlled Entity. Concurrently, beyond statutory wording, Statutes of the Controlled Entity entrust the issues listed under Article 12, Chapter 1, Letters dd) - ii) of company Statutes, related primarily to the annual financial plan approvals, debts, provision and acceptance of loans, credits and signature of agreements outside the general business scope, to the authority of the sole shareholder in the capacity of General Meeting. Except as disclosed above, the Controlling Entity used no other methods and

means of control.

For the avoidance of doubt, it is stated that the Controlling Entity has no means by which it could exercise decisive influence in other entities controlled by the Controlled Entity, i.e. in the subsidiary corporations, to control it within the meaning of Section 74 (1) of the Business Corporations Act. At the same time, the Controlled Entity states that neither the Controlling Entity, nor any of its representatives, is a member of any of those subsidiary corporation's bodies nor has it been during the reference period.

SECTION III. REFERENCE PERIOD

The report covers the last accounting period, i.e. the accounting period from 1st January 2019 to 31st December 2019.

SECTION IV OVERVIEW OF ACTIONS TAKEN IN THE REFERENCE PERIOD, WHICH WERE TAKEN AT THE INITIATIVE OR IN THE INTEREST OF THE CONTROLLING ENTITY OR THE RELATED ENTITIES, WHERE SUCH ACTIONS CONCERNED ASSETS EXCEEDING 10% OF THE CONTROLLED ENTITY'S EQUITY AS DETERMINED FROM THE LAST FINANCIAL STATEMENTS

In the reference period, neither legal actions nor other measures were taken by the Controlled Entity at the initiative or in the interest of the Controlling Entity or the Related Entities concerning assets exceeding 10% of the Controlled Entity's equity (as at 31/12/2018 10% of the Controlled Entity's equity capital was CZK 3,329,270 thousand). The Controlled Entity was also not prevented from taking actions or making strategic decisions due to the control of the company motivated by the interests or initiatives of the Controlling Entity.

SECTION V AN OVERVIEW OF MUTUAL CONTRACTS AND AGREEMENTS BETWEEN THE CONTROLLED ENTITY AND THE CONTROLLING ENTITY, OR BETWEEN THE RELATED ENTITIES

In the reference period, the following contracts have been in force between the Controlling Entity and the Controlled Entity:

Contract/ Amendment	Reference No.	Contracting Party	Contract Subject Matter	Date of Signature
Contract	9000001631	The Ministry of Finance	Agreement on Settlement of Environmental Obligations	5.1.2010

In the reference period, the following contracts have been in force between the Controlling Entity and the Related Entities:

Contract/ Amendment	Reference No.	Contracting Party	Contract Subject Matter	Date of Signature
Contract	0224003614	ČEPRO, a.s.	Framework Purchase Contract – Supply of Fuel	22.2.2018
Contract	0230003758	ČEPRO, a.s.	Non-disclosure Agreement	18.10.2017
Contract	8000003901	ČEPRO, a.s.	Framework Service Contract – Supply of Aviation Fuel	13.8.2009

Contracts concluded between the Controlled Entity and other entities controlled by the Controlled Entity that were in effect in the reference period are disclosed in the reports on relations of the respective companies.

SECTION VI DAMAGE SETTLEMENT

The Controlled Entity is neither aware of any damage incurred during the reference period as a consequence of actions taken by the Controlling Entity nor of the fact that the Related Entities consciously took measures towards one another or accepted contractual entitlements from one another which could be harmful to themselves or to the Controlled Entity, with the potential to become the subject to compensation pursuant to Sections 71 and 72 of the Business Corporations Act.

SECTION VII RELATION CONSEQUENCES ASSESSMENT

The Board of Directors of the Controlled Entity assessed the potential advantages and disadvantages of the aforementioned position of the Controlled Entity and concluded that since there are no significant relations between the Controlling Entity and the Controlled Entity and the Related Entities in view of the differences in their core business activities, there are no special advantages or disadvantages to the above-described relations for the entities. The only exception to the rule are the relations resulting from the execution of the shareholder rights of the Controlling Entity at the General Meeting of the Controlled Entity. However, the rights are executed in line with the Business Corporations Act and Company Statutes. The Board of Directors took the above-described relations under advisement and states that it is aware of no risks resulting from the relations among the above-listed entities.

SECTION VIII CONCLUSION

This report was discussed and approved by the Board of Directors of the Controlled Entity on 3rd March 2020.

The Board of Directors, as the Statutory Body of the Controlled Entity, hereby declares that the data stated in this Report on Relations is correct and complete. Drafting the Report, the Board of Directors included all information and data available or obtained by acting with due diligence.

The required data was not made available to the statutory body of the Controlled Entity by the below-listed Related Entities:

- ▶ **HOLDING KLADNO, a.s. v likvidaci**
- ▶ **Severočeské mlékárny a.s. Teplice**

This Report was submitted for review to the auditor auditing the financial statements and verifying other relevant information in the Annual Report of the Controlled Entity pursuant to specific legislation.

In Prague, on 3rd March 2020



Václav Řehoř
Chairman of the Board of Directors
Letiště Praha, a. s.



Jiří Černík
Member of the Board of Directors
Letiště Praha, a. s.

Supervisory Board Report for 2019

1. Supervisory Board Meetings

In the course of 2019, the Supervisory Board of the company Letiště Praha, a. s. (hereinafter referred to as “the Company”) met at ten meetings held at the Company’s registered office.

2. Supervisory Board Members

Members of the Supervisory Board as of 31 December 2019

Supervisory Board	Position
Jan Švejnar	Chairman
Ondřej Landa	Vice- Chairman
Jiří Hošek	Member
Stanislav Kouba	Member
Kamil Pomahač	Member
Petr Šobotník	Member

Personnel Changes of the Supervisory Board during the Year 2019

Petr Minařík – membership terminated as of 1 March 2019.

Stanislav Kouba – appointed Member as of 11 June 2019.

3. Work of the Supervisory Board in the Reporting Period

The responsibilities of the Supervisory Board are set out in the Act No. 90/2012 Coll., on Business Corporations.

During the reporting period, the Supervisory Board carefully monitored the activities of the Board of Directors within its scope of competence, the implementation of the decisions taken by the sole shareholder acting in the capacity of the General Meeting, and the performance of business activities of the Company.

At its meetings, the Supervisory Board regularly discussed the economic performance of the Company, and performance of agreed financial plan and plan of investments. It also controlled and supervised financial management as well as supervised integrity of accounting and financial reporting systems. Based on the recommendation of the Supervisory Board to the Sole Shareholder, the company PricewaterhouseCoopers Audit, s.r.o. was appointed as the auditor of the Company for the period of 2019-2022. Subsequently, the Supervisory Board also consulted and gave its recommendations on the proposal of Business and Financial Plan for the Year 2019 including the Investment Plan for the period of 2019-2023, the Long-term Strategy and Concept of Development of the Company and on the Document Terminal Capacity Development and the Parallel Runway.

When needed, the Supervisory Board consulted ad hoc issues that are in accordance with the applicable legislation subject to a decision by the sole shareholder acting in the capacity of the General Meeting of the Company, giving respective recommendations.

As part of its oversight responsibilities, the Supervisory Board was informed about the results of internal audit activities, particularly about main findings and suggestions of realized audits, and about the implementation of corrective measures resulting from the conducted audits. In this manner, the Supervisory Board was informed of the identified shortcomings and of the procedure aimed at their correction, especially with respect to the efficiency of the internal control mechanisms. The Supervisory Board was also regularly informed about conclusions of meetings of the Audit Committee of the Company, particularly through the Chairman of the Audit Committee, who is also member of the Supervisory Board.

With regard to the end of the accounting period, the Supervisory Board is informed of the Report on Relations, it discusses the Independent Auditor's Report and reviews the Financial Statements of the Company that are attached to the Annual Report of the Company, submitted to the Supervisory Board.

At its meetings, the Supervisory Board was kept informed about key developments in the Company, about the plans of the Board of Directors and the results of its meetings by the Chairman of the Board of Directors or other members of the Company's Board of Directors. Members of the Board of Directors regularly participated in the Supervisory Board meetings. When necessary, other executive staff of the Company responsible for the activities under discussion by the Supervisory Board were also invited to attend the meetings.

In Prague, 13 March 2020

Ondřej Landa

Vice-Chairman of the Supervisory Board of Letiště Praha, a. s.



Audit Committee Report for 2019

1. Legal Status of Audit Committee

The Audit Committee (the "AC" or the "Committee") has been established by the Company under the chapter VII., art. 26, par. 1 of the Articles of Association of the Company. Status and scope of activity of the Committee is governed by the relevant articles of the Act no. 93/2009 Coll., the Act on Auditors, as amended (the „Act on Auditors”).

2. Audit Committee Meetings

In the course of 2019, the Audit Committee met at six regular meetings on the following days:

- 30 January 2019
- 13 March 2019
- 28 March 2019
- 29 May 2019
- 4 September 2019
- 6 December 2019

Besides the Committee members, the meetings held in 2019 (except the meeting in December) were also attended by Mr. Radek Hovorka, Member of the LP Board of Directors. Other regular participants were Mr. Petr Doberský, Mrs. Iveta Kašparová (Accounting, Taxes and Finance) and Mr. Filip Zelingr (Audit, Risk and Compliance, LP). Representatives of PricewaterhouseCoopers Audit, s.r.o., (the "PwC"), which was appointed as an external auditor for the period from 2019 to 2022 by the sole shareholder in exercising the powers of the General Meeting, were invited to discuss topics and activities related to the conduct of the external audit.

3. Members of the Audit Committee

Members of the Audit Committee as of 31 December 2019

Audit Committee	Position
Petr Šobotník	Chairman
Andrea Lukasiková	Vice-Chairman
Ivo Středa	Member

There were no personnel changes in the Audit Committee during the year 2019.

4. Work of the Audit Committee in the Reporting Period

In 2019, the Audit Committee worked fully in compliance with applicable legal regulations, particularly with the Act on Auditors, the Articles of Association, the Rules of Procedure of the Audit Committee and the approved Plan of Activities of the Audit Committee for 2019.

In the reporting period, the Audit Committee dealt with, among other things, the following issues during its meetings:

- Discussing the results of the tender for external auditor for the period from 2019 to 2022 including the recommendation to the Supervisory Board regarding the selection of external auditor supported by respective arguments (the chairman of the Audit Committee was a member of the selection committee);
- Approving the Statute and Rules of Procedure of the Audit Committee;
- Drafting of the Audit Committee's Activity Report for 2018 addressed to the sole shareholder (Annex of the LP Annual Report for 2018);

- Monitoring of drafting process of financial statements and consolidated financial statements on a continuous basis (discussions with the representatives of the Company management);
- Monitoring of process of statutory audit of financial statements and consolidated financial statements on a continuous basis (external auditor's representatives (PwC) presentations of the audit process of the financial statements, and discussions with external auditor) and final assessment of compulsory audit outcome;
- Evaluation of the external auditor (especially in terms of the auditor's independence and quality of the audit);
- Discussing the Report on External Evaluation of Internal Audit, Annual Reports on the Internal Audit, Risk Management and Compliance;
- Monitoring of effectiveness of internal control system, of internal audit and risk management of the Company;
- Oversight of performance, independence and objectivity of the internal audit;
- Approval or pre-approval regarding provision of "other non-audit services" pursuant to the Act on Auditors;
- Discussing Risk Management Reports within the LP Group;
- Discussions regarding Quarterly Reports on Changes in Values of Significant Risks;
- Discussions on Quarterly Summary Reports on the Implementation of the Internal Audit Plan and on Implementation of Adopted Corrective Measures;
- Discussion on Internal Audit Plan for 2019 and its continuous fulfilment (including adopted changes and review of adequacy of the Internal Audit Department's resources);
- Discussions on results of conducted internal audits and on implementation of adopted corrective measures;
- Approval of Internal Audit Plan for 2020;
- Approval of the Schedule of the Meetings and Plan of Activities of the Audit Committee for the year 2020;
- Information on key developments in the LP Group.

5. Conclusion

The Plan of Activities of the Audit Committee for the year 2019 was fully implemented. The Audit Committee regularly informed the Supervisory Board and, if applicable, it put forward its recommendations on the issues that were discussed during the AC meetings through the Chairman of the AC, who took part in the Supervisory Board meetings.

In conclusion, it can be declared that before signing date of this Report, the Audit Committee did not find any evidence of serious irregularities, about which the sole shareholder, acting in capacity of the General Meeting, should be informed within the scope of its key activities that are defined by the applicable legislation, the Articles of Association and the Rules of Procedure.

In Prague, 11 March 2020



Petr Šobotník

Chairman of the Audit Committee of Letiště Praha, a. s.

Financial Statements

For the Year Ended 31 December 2019

LETIŠTĚ PRAHA, A. S.
BALANCE SHEET
AS AT 31.12.2019 (IN THOUSAND CZK)

		31.12.2019			31.12.2018
		Gross	Adjustment	Net	Net
	TOTAL ASSETS	58,979,657	-21,489,192	37,490,465	36,337,626
B.	Fixed assets	56,300,430	-21,445,478	34,854,952	33,174,456
B.I.	Intangible fixed assets	1,000,601	-810,145	190,456	173,246
	2. Royalties	974,102	-810,130	163,972	154,710
	2.1. Software	905,344	-771,444	133,900	118,792
	2.2. Other royalties	68,758	-38,686	30,072	35,918
	4. Other intangible fixed assets	5,068		5,068	3,307
	5. Advances paid and intangible fixed assets in the course of construction	21,431	-15	21,416	15,229
	5.2. Intangible fixed assets in the course of construction	21,431	-15	21,416	15,229
B.II.	Tangible fixed assets	50,249,792	-19,500,625	30,749,167	29,085,901
	1. Land and constructions	40,880,694	-13,803,544	27,077,150	26,441,610
	1.1. Land	16,603,386		16,603,386	16,576,792
	1.2. Constructions	24,277,308	-13,803,544	10,473,764	9,864,818
	2. Equipment	7,223,840	-5,569,055	1,654,785	1,356,358
	3. Adjustment to acquired fixed assets	216,274	-126,160	90,114	104,532
	4. Other tangible fixed assets	19,395	-1,298	18,097	10,920
	4.3. Tangible fixed assets - other	19,395	-1,298	18,097	10,920
	5. Advances paid and tangible fixed assets in the course of construction	1,909,589	-568	1,909,021	1,172,481
	5.1. Advances paid for tangible fixed assets	146,909		146,909	
	5.2. Tangible fixed assets in the course of construction	1,762,680	-568	1,762,112	1,172,481
B.III.	Long-term investments	5,050,037	-1,134,708	3,915,329	3,915,309
	1. Investments - subsidiaries and controlling party	5,047,169	-1,134,708	3,912,461	3,912,461
	7. Other long-term investments	2,868		2,868	2,848
	7.1. Long-term investments - other	2,868		2,868	2,848
C.	Current assets	2,643,025	-43,714	2,599,311	3,126,001
C.I.	Inventories	43,621	-9,220	34,401	35,036
	1. Raw materials	36,478	-9,220	27,258	29,355
	2. Work in progress and semi-finished products	2,148		2,148	513
	3. Finished goods and goods for resale	4,044		4,044	3,372
	3.1. Finished goods	62		62	43
	3.2. Goods for resale	3,982		3,982	3,329
	4. Immature livestock	833		833	788
	5. Advances paid for inventory	118		118	1,008
C.II.	Receivables	1,140,419	-34,494	1,105,925	1,115,725
	2. Short-term receivables	1,140,419	-34,494	1,105,925	1,115,725
	2.1. Trade receivables	990,691	-22,423	968,268	952,957
	2.4. Receivables - other	149,728	-12,071	137,657	162,768
	2.4.3. Taxes - receivables from the state	61,246		61,246	72,758
	2.4.4. Short-term advances paid	47,056		47,056	53,547
	2.4.5. Estimated receivables	36,952	-9,941	27,011	34,008
	2.4.6. Other receivables	4,474	-2,130	2,344	2,455
C.IV.	Cash	1,458,985		1,458,985	1,975,240
	1. Cash in hand	5,047		5,047	4,637
	2. Cash at bank	1,453,938		1,453,938	1,970,603
D.	Prepayments and accrued income	36,202		36,202	37,169
	1. Prepaid expenses	32,122		32,122	31,730
	3. Accrued income	4,080		4,080	5,439

LETIŠTĚ PRAHA, A. S.
BALANCE SHEET
AS AT 31.12.2019 (IN THOUSAND CZK)

		31.12.2019	31.12.2018
	TOTAL LIABILITIES AND EQUITY	37,490,465	36,337,626
A.	Equity	34,643,372	33,292,700
A.I.	Share capital	2,512,227	2,512,227
1.	Share capital	2,512,227	2,512,227
A.II.	Share premium and capital contributions	24,533,403	24,532,961
2.	Capital contributions	24,533,403	24,532,961
2.1.	<i>Other capital contributions</i>	24,532,457	24,532,034
2.2.	<i>Assets and liabilities revaluation</i>	946	927
A.IV.	Retained earnings / Accumulated losses	4,589,779	2,832,877
1.	Retained earnings	4,589,779	2,832,877
A.V.	Profit / (loss) for the current period	3,007,963	3,414,635
B.+C.	Liabilities	2,782,766	3,002,056
B.	Provisions	202,246	128,798
2.	Income tax provision		84,678
4.	Other provisions	202,246	44,120
C.	Liabilities	2,580,520	2,873,258
C.I.	Long-term liabilities	639,065	854,094
1.	Debentures and bonds issued		248,766
1.2.	<i>Other debentures and bonds issued</i>		248,766
4.	Trade payables	283,024	258,820
8.	Deferred tax liability	356,041	346,508
C.II.	Short-term liabilities	1,941,455	2,019,164
1.	Debentures and bonds issued	256,426	6,806
1.2.	<i>Other debentures and bonds issued</i>	256,426	6,806
2.	Liabilities due to financial institutions		714,286
3.	Short-term advances received	26,701	18,677
4.	Trade payables	601,077	470,039
8.	Liabilities - other	1,057,251	809,356
8.3.	<i>Liabilities to employees</i>	105,649	90,307
8.4.	<i>Liabilities for social security and health insurance</i>	61,833	53,773
8.5.	<i>Taxes and state subsidies payable</i>	274,454	20,532
8.6.	<i>Estimated payables</i>	612,584	642,227
8.7.	<i>Other liabilities</i>	2,731	2,517
D.	Accruals and deferred income	64,327	42,870
1.	Accrued expenses	58,461	37,756
2.	Deferred income	5,866	5,114

LETIŠTĚ PRAHA, A. S.
PROFIT AND LOSS ACCOUNT
FOR THE YEAR 2019 (IN THOUSAND CZK)

	2019	2018
I. Sales of products and services	8,832,413	8,312,837
II. Sales of goods	26,572	26,210
A. Cost of sales	1,559,121	1,432,800
1. Cost of goods sold	16,051	15,225
2. Raw materials and consumables used	553,575	486,037
3. Services	989,495	931,538
B. Changes in inventories of finished goods and work in progress	-2,970	-242
C. Own work capitalised	-36,106	-22,962
D. Staff costs	2,537,491	2,156,767
1. Wages and salaries	1,822,968	1,549,999
2. Social security, health insurance and other social costs	714,523	606,768
2.1. Social security and health insurance costs	619,564	523,483
2.2. Other costs	94,959	83,285
E. Value adjustments in operating activities	1,148,689	1,095,256
1. Value adjustments of fixed assets	1,125,205	1,092,798
1.1. Depreciation, amortisation and write off of fixed assets	1,159,323	1,126,713
1.2. Provison for impairment of fixed assets	-34,118	-33,915
2. Provison for impairment of inventories	1,997	1,159
3. Provison for impairment of receivables	21,487	1,299
III. Operating income - other	99,815	101,897
1. Sales of fixed assets	4,128	7,062
2. Sales of raw materials	54,002	56,158
3. Other operating income	41,685	38,677
F. Operating expenses - other	334,575	151,603
1. Net book value of fixed assets sold	330	55
2. Material sold	50,201	52,287
3. Taxes and charges from operating activities	10,146	14,163
4. Operating provisions and complex prepaid expenses	158,126	3,991
5. Other operating expenses	115,772	81,107
* Operating result	3,418,000	3,627,722
IV. Income from sales of long-term investments - shares	275,135	89,892
1. Income from sales of investments - subsidiaries or controlling party	275,135	89,892
VI. Interest and similar income	31,679	5,468
2. Other interest and similar income	31,679	5,468
I. Value adjustments and provisions from financial operations		-419,278
J. Interest and similar expenses	13,505	16,281
1. Interest and similar income - subsidiaries or controlling party		517
2. Other interest and similar income	13,505	15,764
VII. Other financial income	16	
K. Other financial expenses	7,893	3,951
* Financial result	285,432	494,406
** Net profit / (loss) before taxation	3,703,432	4,122,128
L. Tax on profit or loss	695,469	707,493
1. Tax on profit or loss - current	685,936	724,059
2. Tax on profit or loss - deferred	9,533	-16,566
** Net profit / (loss) after taxation	3,007,963	3,414,635
*** Net profit / (loss) for the financial period	3,007,963	3,414,635
* Net sales for the financial period	9,265,630	8,536,304

LETIŠTĚ PRAHA, A. S.
CASH FLOW STATEMENT
FOR THE YEAR 2019 (IN THOUSAND CZK)

	2019	2018	
	Cash flows from operating activities		
	Net profit before tax	3,703,432	4,122,128
A.1	Adjustments for non-cash movements	1,011,825	598,335
A.1.1	Depreciation and amortisation of fixed assets and receivables written off	1,159,555	1,130,133
A.1.2	Change in provisions	147,491	-446,743
A.1.3	(Profit)/loss from disposal of fixed assets	-3,798	-7,007
A.1.4	Dividend income	-275,135	-89,892
A.1.5	Net interest expense/(income)	-18,174	10,813
A.1.6	Other non-cash movements	1,886	1,031
A*	Net cash flow from operating activities before tax and changes in working capital	4,715,257	4,720,463
A.2	Working capital changes	24,995	142,477
A.2.1	Change in receivables and prepayments	-22,282	-94,679
A.2.2	Change in short-term payables and accruals	48,639	244,244
A.2.3	Change in inventories	-1,362	-7,088
A**	Net cash flow from operating activities before tax	4,740,252	4,862,940
A.4	Interest received	31,679	5,468
A.5	Income tax paid	-753,564	-781,994
A***	Net cash flow from operating activities	4,018,367	4,086,414
	Cash flows from investing activities		
B.1	Acquisition of fixed assets	-2,666,874	-1,252,617
B.2	Proceeds from sale of fixed assets	4,128	7,062
B.4.	Net investment cash flows	275,135	89,892
B***	Net cash flow from investing activities	-2,387,611	-1,155,663
	Cash flows from financing activities		
C.1	Change in long- and short-term liabilities	-725,235	-2,341,067
C.2	Changes in equity	-1,409,074	-353,721
C.2.6	Dividends paid	-1,409,074	-353,721
C.3	Interest paid	-12,702	-15,635
C***	Net cash flow from financing activities	-2,147,011	-2,710,423
	Net increase/(decrease) in cash and cash equivalents	-516,255	220,328
	Cash and cash equivalents at the beginning of the year	1,975,240	1,754,912
	Cash and cash equivalents at the end of the year	1,458,985	1,975,240

LETIŠTĚ PRAHA, A. S.
STATEMENT OF CHANGES OF EQUITY
FOR THE YEAR 2019 (IN THOUSAND CZK)

	Share capital	Share premium and capital contributions	Assets and liabilities revaluation	Retained earnings and profit or loss for the current period	Total
Balance as at 1 January 2018	2,512,227	24,532,006	778	3,186,598	30,231,609
Equity transactions with owners	0	0	0	-353,721	-353,721
Dividends paid				-353,721	-353,721
Other transactions	0	28	149	3,414,635	3,414,812
Assets acquired free of charge		28			28
Revaluation of shares			149		149
Net profit / (loss) for the financial period				3,414,635	3,414,635
Balance as at 31 December 2018	2,512,227	24,532,034	927	6,247,512	33,292,700
Equity transactions with owners	0	0	0	-1,657,733	-1,657,733
Dividends paid				-1,657,733	-1,657,733
Other transactions	0	423	19	3,007,963	3,008,405
Assets acquired free of charge		423			423
Revaluation of shares			19		19
Net profit / (loss) for the financial period				3,007,963	3,007,963
Balance as at 31 December 2019	2,512,227	24,532,457	946	7,597,742	34,643,372

Notes to the Financial Statements

For the Year Ended 31 December 2019

1. General Information

Letiště Praha, a. s. ("the Company"), Company Identification Number 282 44 532, was established on 6 February 2008 by registration in the Commercial Register of the Municipal Court in Prague, Section B, Insert 14003 and its registered office is in Prague 6, K letišti 1019/6, Postal Code 161 00, Czech Republic.

The Company is a parent company of a group of Czech entities specializing in the activities connected with the operation of the international civil airport Václav Havel airport Prague and provision of related ground-handling services.

The main mission of the Company is to operate the international civil airport Václav Havel Airport Prague in an effective and safe manner, promote its further growth, contribute to the constant development of civil air transport in the Czech Republic, maintain its accessibility to the general public and facilitate modern, fast and comfortable travel for customers.

The Company organises and manages operations at Václav Havel Airport Prague, allocates airport capacity to individual air carriers and provides additional services connected with airport operations, such as handling of passengers and their baggage, parking and catering. The Company also leases airport premises for commercial use. The Company is constantly expanding, developing and modernising its services.

The Company cooperates closely with the Ministry of Transport of the Czech Republic, the Civil Aviation Authority, the Air Navigation Services of the Czech Republic, air carriers, public authorities within and outside the aviation sector, and other users of the airport. It also enjoys close cooperation with the City of Prague and municipalities in the vicinity of the airport. Václav Havel Airport Prague is home base to three carriers - České aerolinie a.s., Ryanair and Smartwings, a.s. (former Travel Service, a.s.).

The Company manages security at Václav Havel Airport Prague, i.e. the security control of passengers and baggage and surveillance of the entire airport grounds in cooperation with other security forces, such as the Police of the Czech Republic. The Company also has its own specialised fire-fighting unit. Medical First Aid is provided 24/7 by a contracted partner.

The Company is aware of its corporate social responsibility with regard to the impact of its operations on the environment and its surrounding areas. Therefore, it pursues its business activities in a way which is considerate and responsible to the environment and the lives of people in the areas surrounding the airport.

2. Accounting Principles

a) Basis of Preparation of Financial Statements

The Company's accounting books and records are maintained and the financial statements have been prepared in accordance with Accounting Act 563/1991 Coll., as amended; Decree 500/2002 Coll. which provides implementation guidance on certain provisions of Accounting Act 563/1991 Coll. for large reporting entities that are businesses maintaining double-entry accounting records, as amended; and Czech Accounting Standards for businesses, as amended. The financial statements have been prepared under historical cost conventions.

These financial statements are presented in thousands of Czech crowns ("CZK"), unless stated otherwise.

b) Intangible Fixed Assets

Intangible fixed assets include assets with an estimated useful life longer than one year and acquisition cost exceeding CZK 40 thousand.

Intangible fixed assets with an acquisition cost of less than CZK 40 thousand on an individual basis are expensed upon acquisition.

Purchased intangible fixed assets are recorded at acquisition cost less accumulated amortisation and impairment.

Technical improvements exceeding the amount of CZK 40 thousand per an individual asset for the period are capitalised.

Intangible fixed assets are amortised, using the straight-line method, over their estimated useful lives as follows:

	Number of Years
Software	2 – 6
Licenses	over the contract term

When the carrying value of an asset exceeds its estimated recoverable amount, the carrying value is reduced to the recoverable amount by an allowance. If the impairment of an asset is other than temporary, the asset is written down permanently.

c) Tangible Fixed Assets

Tangible fixed assets include assets with an estimated useful life longer than one year and an acquisition cost exceeding CZK 20 thousand on an individual basis. Tangible assets with an acquisition cost of CZK 1 thousand to CZK 20 thousand on an individual basis are expensed upon acquisition and are recorded in the off-balance sheet.

Purchased tangible fixed assets are recorded at acquisition cost less accumulated depreciation and impairment. The acquisition cost includes the purchase cost and the costs attributable to the acquisition. The cost of respective tangible fixed assets is reduced by the grants received towards the acquisition.

Tangible fixed assets manufactured internally are recorded at own cost.

Assets acquired free of charge are recorded at replacement cost as at the date of acquisition.

Technical improvements exceeding the amount of CZK 40 thousand per an individual asset for the period are capitalised.

2. Accounting Principles (continued)

c) Tangible Fixed Assets (continued)

Tangible fixed assets, other than land and assets under construction, are depreciated using the straight-line method over their estimated useful life as follows:

	Number of years
Constructions	20 – 50
Machinery and equipment	4 – 20
Furniture and fixtures	6 – 12
Vehicles	4 – 12

With respect to the assets which were subject of the technical improvements and whose useful lives were adjusted accordingly, based on an estimate provided by technical departments, depreciation expense is calculated from net book value, increased by the cost of technical improvement, over the new (adjusted) remaining useful live.

When the carrying value of an asset exceeds its estimated recoverable amount, the carrying value is reduced to the recoverable amount by an allowance. If the impairment of an asset is other than temporary, the asset is written down permanently.

d) Long-term investments

Long-term investments mainly include investments in subsidiaries and long-term investments in securities.

Investments in entities, in which the Company has the power to govern the financial and operating policies to obtain benefits from its activities, are classified as investments in subsidiaries and are originally recorded at acquisition cost. The acquisition cost also includes costs directly attributable to the acquisition, such as service fees and provisions to brokers, advisors and the stock exchange. In case of impairment indicators, the carrying value of the investments is reassessed at the end of the accounting period using valuation models (e.g. discounted cash flow method) taking into account the strategic plans of the individual companies within the consolidation group and the consolidation group itself. When the carrying value of investment in subsidiary exceeds its estimated recoverable amount, the carrying value is reduced to the recoverable amount by an allowance.

Long-term investments in securities are recorded at fair value. Changes in fair value of long-term investments in securities are recorded in equity.

e) Inventories

Purchased inventories are recorded at acquisition cost which is reduced with a provision in cases when there are reasons for its creation. The acquisition cost includes all direct and indirect costs incurred to bring the inventory into its present stage and location (such as freight costs). The weighted average method is applied for all disposals.

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

Work in progress represents construction contracts and it is recorded at direct costs, which include direct material and payroll costs and production overheads.

2. Accounting Principles (continued)

f) Receivables

Upon recognition, receivables are recorded at their nominal value and subsequently reduced by appropriate allowances for bad and doubtful debts.

A provision for bad debts is created based on an ageing analysis and individual evaluation of the collectability of receivables.

g) Cash Flow

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

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

h) Foreign Currency Translations

Transactions denominated in foreign currencies during the accounting period are translated and recorded at the daily exchange rate of the Czech National Bank.

All monetary assets, receivables and liabilities denominated in foreign currencies are translated at the year-end exchange rate as published by the Czech National Bank. Any resulting foreign exchange gains and losses are recognised in the current year's financial income or expenses.

The Company treats advances paid for the acquisition of fixed assets as receivables and therefore these assets are translated as at the balance sheet date.

i) Revenue and Expense Recognition

Revenues and expenses are recognised in the period to which they relate on an accrual basis.

Sales are recognised as at the date the services are rendered or the goods are delivered and accepted by the customer and are stated net of discounts and Value Added Tax.

Revenues from fines and penalties are recorded when there is a sufficient level of assurance of their settlement.

j) Provisions

Provisions are recognised to cover obligations or expenses, when the nature of the obligations or expenses is clearly defined and it is probable or certain as at the balance sheet date that they will be incurred, however their precise amount or timing is not known. The provision recognised as at the balance sheet date represents the best estimate of expenses that will probably be incurred, or the amount of liability that is required for their settlement.

The income tax provision in the balance sheet is reduced by the related advances paid and any resulting receivable is presented in the row Taxes – receivables from the state.

k) Employee Benefits

Contributions are made to the government's employment, social policy and health schemes at the statutory rates in force during the year based on gross salary payments. Regular contributions are made to fund the national pension plan.

Under the terms defined in the Collective Agreement, the Company provides its employees with contributions to pension schemes administered by commercial funds.

The liability from untaken holidays and from quarterly and annual employees' bonuses is recognised as an estimated payable. The liability from other employee benefits and from mid-term KPIs is recognised as a provision.

2. Accounting Principles (continued)

l) Liabilities

Trade payables are recorded in their nominal value.

m) Bonds

The bonds are initially recognized in the amount of the inflows from the bonds issued. The difference between the nominal value and the initial value of the debt is booked as an interest expense in the profit and loss account on an accrual basis.

Bonds payable within one year are recognised as short-term liabilities. The interest payable within one year is also recognised as a short-term liability. Bonds payable after one year are recognised as long-term liabilities.

n) Loans

Loans are stated at their nominal value.

The Company classifies the part of long-term loans that is due within one year from the balance sheet date as a short-term liability.

o) Interest Costs

Interest costs that are directly attributable to the acquisition of tangible and intangible fixed assets are capitalized during the period of completion and preparation of the asset for its intended use.

All other interest costs are expensed on an accrual basis.

p) Taxation

Depreciation of Fixed Assets for Tax Purposes

The depreciation of fixed assets for tax purposes is calculated using the accelerated depreciation method.

Current Tax Payable

The current tax payable is based on taxable profit for the reporting period. Taxable profit differs from the net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

Deferred Taxation

Deferred tax is accounted for using the balance sheet liability method.

Under the liability method, deferred tax is calculated at the income tax rate that is expected to apply in the period when, according to Company's expectation, the tax liability is settled, or the asset realised.

The balance sheet method focuses on the temporary differences, i.e. differences between the tax base of an asset and/or liability and its carrying amount in the balance sheet. The tax base of an asset or a liability is the amount that will be deductible for tax purposes in the future.

Deferred tax assets are recognised if it is probable that sufficient future taxable profit will be available against which the assets can be utilised.

Deferred tax is charged or credited to the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also included in equity.

Deferred tax assets and liabilities in the balance sheet are offset and reported on an aggregate net basis.

2. Accounting Principles (continued)

q) Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Management of the Company believes that the estimates and assumptions used will not significantly differ from the actual results and outcomes in the following reporting periods.

r) Related Parties

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

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

s) Equity

The Company's share capital is reported in the amount recorded in the Commercial Register by the Municipal Court. Any increase or decrease of the share capital on the basis of a decision of the General Meeting or in accordance with law and the Articles of Association at the discretion of the Board of Directors, which was not recorded in the Commercial Register as at balance sheet date, is reported as Changes in share capital.

t) Subsequent Events

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

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

3. Basis for Preparation of Financial Statements

The financial statements of the Company are prepared using the going concern principle. The management of the Company believes, that the Company is able to continue as a going concern.

4. Intangible Fixed Assets

Cost CZK '000	Software	Other royalties	Other intangible fixed assets	Intangible fixed assets in the course of construction	Total
1 January 2018	784,218	51,487	2,751	11,551	850,007
Addition/transfers	66,988	11,482	2,042	3,693	84,205
Disposals	(831)	-	(1,486)	-	(2,317)
31 December 2018	850,375	62,969	3,307	15,244	931,895
Addition/transfers	55,169	5,789	3,573	6,187	70,718
Disposals	(200)	-	(1,812)	-	(2,012)
31 December 2019	905,344	68,758	5,068	21,431	1,000,601

Accumulated amortisation and impairment CZK '000	Software	Other royalties	Other intangible fixed assets	Intangible fixed assets in the course of construction	Total
1 January 2018	696,015	15,353	-	-	711,368
Additions	36,873	11,698	-	-	48,571
Disposals	(831)	-	-	-	(831)
Increase/decrease of impairment	(474)	-	-	15	(459)
31 December 2018	731,583	27,051	-	15	758,649
Additions	40,304	11,635	-	-	51,939
Disposals	(200)	-	-	-	(200)
Decrease of impairment	(243)	-	-	-	(243)
31 December 2019	771,444	38,686	-	15	810,145

Net book value CZK '000	Software	Other royalties	Other intangible fixed assets	Intangible fixed assets in the course of construction	Total
31 December 2018	118,792	35,918	3,307	15,229	173,246
31 December 2019	133,900	30,072	5,068	21,416	190,456

The additions to accumulated amortisation in 2019 mainly include the current year's amortisation in the amount of CZK 51,938 thousand (CZK 48,571 thousand in 2018).

5. Tangible Fixed Assets

Cost CZK '000	Land	Constructions	Equipment	Other tangible fixed assets	Tangible fixed assets in the course of construction	Advances paid for tangible fixed assets	Adjustment to acquired fixed assets	Total
1 January 2018	16,570,884	22,451,798	6,526,878	11,157	643,705	-	216,274	46,420,696
Additions/transfers	5,908	491,920	465,335	621	529,397	-	-	1,493,181
Disposals	-	(1,537)	(169,566)	-	(53)	-	-	(171,156)
31 December 2018	16,576,792	22,942,181	6,822,647	11,778	1,173,049	-	216,274	47,742,721
Additions/transfers	26,594	1,351,438	622,575	7,617	589,947	146,909	-	2,745,080
Disposals	-	(16,311)	(221,382)	-	(316)	-	-	(238,009)
31 December 2019	16,603,386	24,277,308	7,223,840	19,395	1,762,680	146,909	216,274	50,249,792

Accumulated depreciation and impairment CZK '000	Land	Constructions	Equipment	Other tangible fixed assets	Tangible fixed assets in the course of construction	Advances paid for tangible fixed assets	Adjustment to acquired fixed assets	Total
1 January 2018	-	12,359,812	5,325,445	589	-	-	97,323	17,783,169
Additions/transfers	-	753,355	310,167	269	-	-	14,419	1,078,210
Disposals	-	(1,537)	(169,566)	-	-	-	-	(171,103)
Increase/decrease of impairment	-	(34,267)	243	-	568	-	-	(33,456)
31 December 2018	-	13,077,363	5,466,289	858	568	-	111,742	18,656,820
Additions/transfers	-	776,266	324,248	440	-	-	14,418	1,115,372
Disposals	-	(16,311)	(221,382)	-	-	-	-	(237,693)
Decrease of impairment	-	(33,774)	(100)	-	-	-	-	(33,874)
31 December 2019	-	13,803,544	5,569,055	1,298	568	-	126,160	19,500,625

Net book value CZK '000	Land	Constructions	Equipment	Other tangible fixed assets	Tangible fixed assets in the course of construction	Advances paid for tangible fixed assets	Adjustment to acquired fixed assets	Total
31 December 2018	16,576,792	9,864,818	1,356,358	10,920	1,172,481	-	104,532	29,085,901
31 December 2019	16,603,386	10,473,764	1,654,785	18,097	1,762,112	146,909	90,114	30,749,167

The additions to accumulated depreciation in 2019 mainly include the current year's depreciation in the amount of CZK 1,101,989 thousand (CZK 1,077,144 thousand in 2018).

The Company has no pledged assets as at 31 December 2019 and 2018.

As at 31 December 2019, land with a value of CZK 4,490,240 thousand was partly encumbered by easement (CZK 4,132,756 thousand as at 31 December 2018). However, the easements only related to an immaterial area of the land involved.

Based on an impairment review of construction (with respect to their potential use either for its own purposes or for rent), the Company recorded an impairment of selected buildings, which equalled CZK 492,971 thousand as at 31 December 2019 (CZK 526,745 thousand as at 31 December 2018).

6. Investments in Subsidiaries

As at 31 December 2019 CZK '000	Acquisition date	Acquisition cost	Share in %	Net profit in 2019	Equity
Czech Airlines Handling, a.s. (registered office: Praha 6, Aviatická 1017/2, post code 160 08)	26 October 2011	1,431,169	100	9,472	726,532
Czech Airlines Technics, a.s. (registered office: Praha 6 – Ruzyně, Jana Kašpara 1069/1, post code 160 08)	13 April 2012	1,085,000	100	10,589	1,010,384
B. aircraft, a.s. (registered office: Praha 6 – Ruzyně, Jana Kašpara 1069/1, post code 161 00)	27 November 2012	2,531,000	100	97,926	2,659,926
Total		5,047,169			

As at 31 December 2018 CZK '000	Acquisition date	Acquisition cost	Share in %	Net profit in 2018	Equity
Czech Airlines Handling, a.s. (registered office: Praha 6, Aviatická 1017/2, post code 160 08)	26 October 2011	1,431,169	100	67,837	717,074
Czech Airlines Technics, a.s. (registered office: Praha 6 – Ruzyně, Jana Kašpara 1069/1, post code 160 08)	13 April 2012	1,085,000	100	22,985	993,824
B. aircraft, a.s. (registered office: Praha 6 – Ruzyně, Jana Kašpara 1069/1, post code 161 00)	27 November 2012	2,531,000	100	347,727	2,837,135
Total		5,047,169			

The subsidiaries stated above are included in the consolidated financial statements published in the collection of documents of the commercial register.

Management of the Company performed an impairment review of the investments in subsidiaries in 2019.

In 2019, there were no major changes in Czech Airlines Handling, a.s., Czech Airlines Technics, a.s. and B. aircraft, a.s. indicating a negative impact on their recoverable amount. Based on the current business development of the subsidiaries and based on the probable future development scenarios the impairment remained unchanged as of 31 December 2019.

The impairment to investments in subsidiaries as at 31 December 2019 equalled CZK 1,134,708 thousand (CZK 1,134,708 thousand as at 31 December 2018).

7. Inventories

A provision for obsolete and slow-moving inventory was recorded in the amount of CZK 9,220 thousand as at 31 December 2019 (CZK 7,223 thousand as at 31 December 2018).

8. Receivables

CZK '000		31 December 2019	31 December 2018
Short-term receivables			
Trade receivables	- current	832,436	800,736
	- overdue	158,255	163,098
Other receivables	- current	147,598	162,768
	- overdue	2,130	2,131
Short-term receivables total		1,140,419	1,128,733
Allowance for doubtful receivables		(34,494)	(13,008)
Net short-term receivables		1,105,925	1,115,725

Receivables have not been covered by guarantees and none of them are due in more than 5 years.

The Company has neither receivables nor contingent receivables recorded off the balance sheet except from the receivables from unpaid penalties in case that there is not a sufficient level of assurance of their settlement.

9. Equity

Authorised and issued Share Capital

	31 December 2019		31 December 2018	
	No.	Carrying value	No.	Carrying value
	(pcs)	(CZK '000)	(pcs)	(CZK '000)
Ordinary shares in the nominal value of CZK 100 each, fully paid	25,122,271	2,512,227	25,122,271	2,512,227

The General Meeting of Shareholders held on 28 November approved a dividend in the amount of CZK 1,657,733 thousand for the sole shareholder - Ministry of Finance. The remaining part of the 2018 profit in the amount of CZK 1,756,902 thousand was transferred to retained earnings.

Until the date of preparation of these financial statements, the Company has not proposed distribution of the profit earned in 2019.

10. Provision

CZK '000	Income tax	Legal disputes and other business risks	Employee benefits and remuneration	Noise abatement measures	Total
Opening balance as at 1 January 2018	142,614	13,235	26,894	-	182,743
Charge for the year	718,303	-	21,434	-	739,737
Reversed	-	(108)	-	-	(108)
Utilized	(142,614)	-	(17,335)	-	(159,949)
Income tax advances	(633,625)	-	-	-	(633,625)
Closing balance as at 31 December 2018	84,678	13,127	30,993	-	128,798
Charge for the year	692,574	200	18,796	150,000	861,570
Reversed	(6,638)	-	-	-	(6,638)
Utilized	(78,040)	-	(10,870)	-	(88,910)
Income tax advances	(701,633)	-	-	-	(701,633)
Transfer to receivables	9,059	-	-	-	9,059
Closing balance as at 31 December 2019	-	13,327	38,919	150,000	202,246

10. Provision (continued)

In case that the advances paid for the income tax are lower than the estimated income tax, the income tax provision in the balance sheet is shown net of these advances.

Provisions for legal disputes and other business risks were established based on the estimates made by the technical departments and the management of the Company. The provision for legal disputes also includes the estimated legal fees.

Provisions for employee benefits and remuneration relate to the employee benefits provided to the employees by the Company on the basis of the Collective Agreement upon their life and work jubilees or upon their retirement and the medium-term KPIs of the Company's management.

The noise abatement measures provision is related to implementation of supplementary noise abatement measures the Company has committed to perform as a part of the noise management policy.

11. Payables

CZK '000		31 December 2019	31 December 2018
Short-term payables			
Trade payables	- current	595,003	441,166
	- overdue	6,074	28,873
	- of which payables within the consolidation group	1,102	999
Trade payables total		601,077	470,039
Short-term advances received		26,701	18,677
Bonds issued		256,426	6,806
Liabilities due to financial institutions		-	714,286
Other liabilities	- current	1,057,251	809,356
	- of which payables within the consolidation group	4,426	9,128
Short-term liabilities total		1,941,455	2,019,164
Long-term liabilities			
Trade payables		283,024	258,820
	- of which payables within the consolidation group	7,536	7,676
Bonds issued		-	248,766
Deferred tax liability		356,041	346,508
Long-term liabilities total		639,065	854,094
Short-term and long-term liabilities total		2,580,520	2,873,258

The above-mentioned liabilities have not been secured against any assets of the Company and are not due after more than 5 years.

The Company has no overdue liabilities related to social security and health insurance or any other overdue liabilities to the tax authorities or other state institutions.

Long-term trade payables include retainage, principals received from airlines and received principals related to the rent agreements.

Estimated payables as at 31 December 2019 mainly include the expenses related to volume-based incentives for airlines in the amount of CZK 237,452 thousand (CZK 227,815 thousand as at 31 December 2018), unbilled acquisition of fixed assets in the amount of CZK 203,844 thousand (CZK 240,727 thousand as at 31 December 2018), the expenses related to untaken vacation, quarterly and annual employees' bonuses in the amount of CZK 64,652 thousand (CZK 49,622 thousand as at 31 December 2018), unsettled donations to municipalities in the amount of CZK 39,771 thousand (CZK 47,938 thousand as at 31 December 2018), and other unbilled operating expenses.

11. Payables (continued)

Row Taxes and state subsidies payable in the balance sheet as of 31 December 2019 also includes dividend withholding tax in the amount of CZK 248,659 thousand due in January 2020.

a) Bonds Issued

CZK '000	31 December 2019	31 December 2018
Bonds due within 1 year	256,426	6,806
Bonds due in 1 - 5 years	-	248,766
Bonds issued total	256,426	255,572

Issued bonds outstanding as at 31 December 2019 and as at 31 December 2018:

ISIN	Interest rate	Issue date	Maturity	Nominal value CZK '000
CZ0003501702	fix 4.90 %	10 June 2010	10 June 2020	250,000
Total				250,000

In 2019, financial expenses related to the issued bonds equalled CZK 13,104 thousand (CZK 13,105 thousand in 2018).

b) Loans and Other Debt

CZK '000	31 December 2019	31 December 2018
Bank loan - short-term	-	714,286
Bank loans total	-	714,286

The Company had a bank loan from Komerční banka, a.s. (KB). This bank loan had a fixed interest rate which was derived from the Company's rating. The loan was reimbursed in full as at 15 June 2019.

Interest expenses related to the KB loan equalled CZK 401 thousand in 2019 (CZK 2,660 thousand in 2018).

12. Other Liabilities

Accrued expenses as at 31 December 2019 include unbilled acquisition of fixed assets in the amount of CZK 37,793 thousand (CZK 23,582 thousand as at 31 December 2018).

Accrued expenses relating to the companies within the consolidation group as at 31 December 2019 equalled CZK 0 thousand (CZK 323 thousand as at 31 December 2018).

Deferred income mainly includes accrued rent and parking revenues.

Deferred income is charged to revenues based on the accrual principal.

Deferred income relating to the companies within the consolidation group as at 31 December 2019 equalled CZK 443 thousand (CZK 92 thousand as at 31 December 2018).

13. Income Tax

The income tax expense analysis:

CZK '000	2019	2018
Current tax expense	692,574	718,303
Adjustment of prior year tax expense based on final CIT return	(6,638)	5,756
Deferred tax expense/(revenue)	9,533	(16,566)
Total income tax expense	695,469	707,493

The deferred tax liability can be analysed as follows:

CZK '000	31 December 2019	31 December 2018
Deferred tax liability arising from:		
Difference between accounting and tax net book value of fixed assets	(479,027)	(467,875)
Deferred tax asset arising from:		
Provision and estimated payables	22,210	17,811
Allowances and other temporary differences	100,776	103,556
Net deferred tax liability	(356,041)	(346,508)

14. Revenue Analysis

Revenues from the main activities:

CZK '000	2019	2018
Air traffic operations – mainly airline fees	6,049,509	5,746,928
Commercial and other rent	1,661,105	1,530,574
Other revenues (parking, VIP lounges, restaurants)	1,148,371	1,061,545
Total	8,858,985	8,339,047

All revenues are generated in the Czech Republic.

15. Employees

Staff costs in 2019:

	Average recalculated number of employees	CZK '000
Salaries of the members of Board of Directors, Supervisory Board and Audit Committee	13	30,229
Wages and salaries of employees	2,796	1,792,739
Social security and health insurance costs		619,564
Social costs		94,959
Staff costs total	2,809	2,537,491

Staff costs in 2018:

	Average recalculated number of employees	CZK '000
Salaries of the members of Board of Directors, Supervisory Board and Audit Committee *	28.5	39,489
Wages and salaries of employees	2,511	1,510,510
Social security and health insurance costs		523,483
Social costs		83,285
Staff costs total	2,539.5	2,156,767

* The average recalculated number of members of the Board of Directors, Supervisory Board and Audit Committee also includes the members of the Board of Directors, Supervisory Board and Audit Committee of the merging companies from 1 January 2018 to 30 September 2018.

Members of the Board of Directors, Supervisory Board and Audit Committee were not provided with any loans, credits, deposits, advance payments or guarantees.

Company cars are made available for private use by the Board of Directors on a contractual basis.

The members of the Board of Directors are provided with meal allowances, pension insurance, accident insurance and professional indemnity insurance.

In 2019, the members of the Supervisory Board, the members of the Board of Directors and the members of the Audit Committee received regular monthly remuneration in accordance with applicable agreements, which were approved by the Ministry of Finance. In 2019 the members of the Board of Directors further received a remuneration based on the fulfilment of assigned annual and medium-term KPIs.

Except for the benefits mentioned above, no other financial or non-financial benefits were provided in 2019 to the founder, members of statutory and supervisory bodies, Audit Committee or the Company's management.

The Company also provides employees with benefits resulting from the applicable Collective Agreement.

16. Related Party Transactions

Purchases and sales within the consolidation group:

CZK '000	2019		2018	
	Purchases	Sales	Purchases / Interest	Sales
Czech Airlines Handling, a.s.	7,764	241,131	10,400	251,496
Czech Airlines Technics, a.s.	544	195,059	2,847	190,845
B. aircraft, a.s.	-	2,452	292	2,114

Liabilities to the companies within the consolidation group are included in Notes 11 a 12.

Transactions with the members of the Board of Directors and Supervisory Board are included in Note 15.

Transactions with other related parties are immaterial and were concluded under standard market conditions.

17. Fees Paid and Payable to the Audit Company

The information relating to the fees paid and payable for services performed by the audit company PricewaterhouseCoopers Audit, s.r.o. is included in the consolidated financial statements of Letiště Praha group.

18. Commitments

As at 31 December 2019 the Company had contracted investment commitments in total amount of CZK 1,723,234 thousand (CZK 2,074,630 thousand as at 31 December 2018).

The Company has no other material contracted investment commitments or other material future liabilities.

19. Contingent Liabilities

Management of the Company is not aware of any contingent liabilities as at 31 December 2019.

20. Cash Flow Statement

Cash and cash equivalents in the cash-flow statement include:

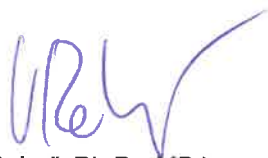
CZK '000	31 December 2019	31 December 2018
Cash in hand, vouchers and cash in transit	5,047	4,637
Cash at bank	1,453,938	1,970,603
Total	1,458,985	1,975,240

21. Subsequent Events

In context of the current situation regarding the spread of coronavirus COVID-19 and the associated negative impacts on the aviation sector, the Company expects a decrease in revenues compared to the budgeted numbers in 2020. After the Government of the Czech Republic declares the state of emergency and related travel restrictions, activities of many airlines operating flights to/from Prague are significantly reduced. The management responds flexibly to the situation with cost-saving measures aimed at minimizing the impact on the Company's financial results. However, should the situation persist for a longer period, it is likely to have a negative impact on current year's profit. The Company considers this outbreak to be a non-adjusting post balance sheet event. The potential impact on macroeconomic forecasts, the Company's financial position and financial results will be reflected in the estimates of impairment and provisions in 2020.

No other events have occurred subsequent to year-end that would have a material impact on the financial statements for the year 2019.

31 March 2020



Ing. Václav Řehoř, Ph.D., MBA
Chairman of the Board of Directors
Letiště Praha, a. s.



Ing. Jiří Černík
Member of the Board of Directors
Letiště Praha, a. s.



Independent auditor's report

to the shareholder of Letiště Praha, a. s.

Opinion

We have audited the accompanying financial statements of Letiště Praha, a. s., with its registered office at K letišti 1019/6, Praha 6 - Ruzyně ("the Company"), prepared in accordance with Czech accounting legislation, which comprise the balance sheet as at 31 December 2019, the income statement, statement of changes in equity and statement of cash flows for the year ended 31 December 2019 and notes to the financial statements, which include significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, of its financial performance and its cash flows for the year ended 31 December 2019 in accordance with Czech accounting legislation.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Standards on Auditing of the Chamber of Auditors of the Czech Republic. These standards consist of International Standards on Auditing (ISAs) which may be supplemented and modified by related application guidance. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA) and accepted by the Chamber of Auditors of the Czech Republic, and we have fulfilled our other ethical responsibilities in accordance with these regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

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

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge about the Company obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law and regulation, in particular, whether the other information complies with law and regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

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

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

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Independent auditor's report

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

Responsibilities of the Board of Directors, Supervisory Board and Audit Committee of the Company for the Financial Statements

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

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

The Supervisory Board of the Company is responsible for overseeing the financial reporting process. The Audit Committee of the Company is responsible for monitoring of the financial statements preparation process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



Independent auditor's report

- Evaluate the overall presentation, structure and content of the financial statements, including the notes, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors, Supervisory Board and Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

31 March 2020

PricewaterhouseCoopers Audit, s.r.o.
represented by

Jiří Zouhar
Jiří Zouhar

Danuše Polívková
Danuše Polívková
Statutory Auditor, Licence No. 2462

This report is addressed to the shareholder of Letiště Praha, a. s.

Note

Our report has been prepared in the Czech language and in English. In all matters of interpretation of information, views or opinions, the Czech version of our report takes precedence over the English version.