



LETIŠTĚ PRAHA, A. S.

2018

CONSOLIDATED ANNUAL REPORT



1. Company Profile

Mission of the Company

The main mission of Letiště Praha, a. s., 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 Group comprise of companies that pursue business activities in areas related to the operation of the civil international Václav Havel Airport Prague and provide related ground services. The parent company, Letiště Praha, a. s., provides coordination and financial and strategic management, ensures synergy within the group and provides shared services to its subsidiaries.

Prague Airport Group 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.

Legal Status of the Company

The company Letiště Praha, a. s., whose sole shareholder is the Ministry of Finance, Registration No.: 000 06 947, as a central government body that represents the Czech Republic while exercising its ownership rights, was incorporated by registration in the Commercial Register on 6 February 2008, in accordance with Czech Government Resolution No. 848 of November 2010.

The subsidiaries of Letiště Praha, a. s. are companies B. aircraft, a.s., providing operating leasing of aircraft to České aerolinie a.s., Czech Airlines Handling, a.s., the provider of the ground handling of aircraft and passengers; and Czech Airlines Technics, a.s., which provides aircraft technical maintenance services.

Český Aeroholding, a.s., was the sole shareholder of Letiště Praha, a. s., until 30 September 2018. Effective 1 October 2018, the Ministry of Finance became the sole shareholder of Letiště Praha, a. s., following the national merger by acquisition of Letiště Praha, a. s. as the acquiring company, and the acquired companies of Český Aeroholding, a.s., Realitní developerská, a.s., Sky Venture a.s., and Whitelines Industries a.s., which ceased to exist without liquidation. The decisive day for the merger was set at 1 January 2018.

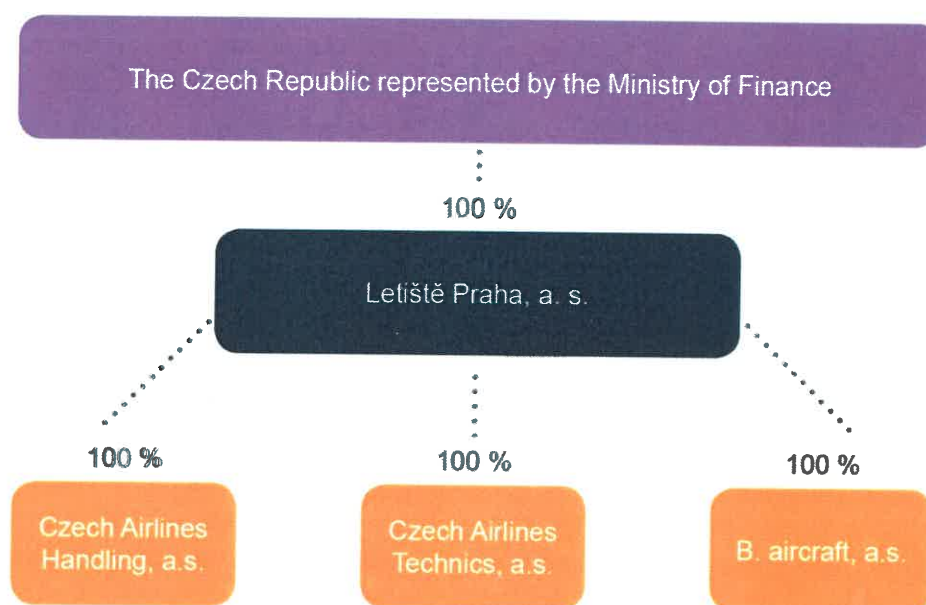
Letiště Praha, a. s., has neither a branch nor other part of a business enterprise abroad.

Letiště Praha, a. s., does not carry out any significant research and development activities. The Prague Airport Group is very active in the area of environmental protection, primarily with regard to noise burden and air quality.

Letiště Praha, a. s., did not acquire its own shares.

Information about using financial derivatives and about goals and risk management methods is described in detail in the Notes to the Consolidated Financial Statements for the Year Ended on 31 December 2018 appended to the consolidated annual report.

Shareholding Structure of the Prague Airport Group as at 31 December 2018



As at 31 December 2019, Letiště Praha, a.s., owned 100% of shares of the companies B, aircraft, a.s., Czech Airlines Handling, a.s., and Czech Airlines Technics, a.s.

Letiště Praha, a. s.

Letiště Praha, a. s., organises and manages the 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, and leases airport space for commercial use. Letiště Praha, a. s., is constantly expanding, developing and modernising its services.

Letiště Praha, a. s., works closely with the Ministry of Transport of the Czech Republic, the Civil Aviation Authority, the Air Navigation Services of the Czech Republic, 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., Ryanair and Smartwings, a.s., (formerly "Travel Service, a.s.").

Using its own resources, Letiště Praha, a. s., manages security at Václav Havel Airport Prague, i.e. the security control of passengers and baggage and surveillance of the entire airport grounds. It also has its own specialised fire-fighting unit. Medical First Aid is provided 24/7 by a contracted partner.

Within the Prague Airport Group, the company Letiště Praha, a. s., provides its subsidiaries with shared services, such as IT, central procurement, human resources management, accounting, PR, legal, financial and marketing services. The centralisation of the administrative services allows all the companies within the Prague Airport Group to focus on their core business activities.

Letiště Praha, a. s., owns real estate (land and buildings) previously owned by Český Aeroholding, a.s., and leases these assets based on long-term agreement to other entities operating within the airport area.

B. aircraft, a.s.

In 2018, business activities of the company B. aircraft, a.s., comprised of providing the lease of six Airbus A319 aircraft to České aerolinie a.s.

In August 2018, the B. aircraft, a.s., takes preliminary steps towards the sale of six Airbus A319 aircraft. In November 2018, negotiations with the presenter of the best offer started and a Letter of Intent was signed in December 2018.

Czech Airlines Handling, a.s.

Czech Airlines Handling, a.s., is a major provider of handling services at Václav Havel Airport Prague.

Czech Airlines Handling, a.s., provides the complex service of ground handling of passengers, aircraft, cargo and post for over 40 airlines, which include carriers that are members of the SkyTeam Alliance and Star Alliance, as well as other airlines providing regular or charter passenger transport and individual cargo transport.

In 2018, Czech Airlines Handling, a.s., maintained high standards of services provided in the field of passenger and aircraft handling as proven by the results of individual airline audits on the one hand and by the expansion of its client portfolio, namely by Air Arabia and Cyprus Airways on the other.

In 2018, Czech Airlines Handling, a.s., handled over 60,000 departures and arrivals at Václav Havel Airport Prague, making it an important provider of complex handling services at the Václav Havel Airport Prague.

Aircraft refuelling services is an important area of business of Czech Airlines Handling, a.s. In 2018, Czech Airlines Handling, a.s., maintained its strategic fuel trade partnership with PKN Orlen. Czech Airlines, easyJet, Korean Air, LOT Polish Airlines, the IAG Group (British Airways, Aer Lingus, Iberia and Volotea) and Smartwings, a.s., (formerly Travel Service, a.s.) are among its prominent aircraft refuelling customers.

Czech Airlines Handling, a.s., also operates a Contact Centre, which provides its services primarily to airlines, with České aerolinie a.s., Korean Air and Letiště Praha, a. s., as its most important customers in 2018.

Other services provided by Czech Airlines Handling, a.s., for its handling service clients include ticket sales, operational ticketing, the cleaning of aircraft, aircraft de-icing and deliveries of delayed baggage to passengers.

Czech Airlines Technics, a.s.

Czech Airlines Technics, a.s., focuses primarily on the repair and maintenance of aircraft and aircraft technology within the scope of base maintenance, line maintenance, components maintenance, CAMO support and landing gear maintenance.

In 2018, Czech Airlines Technics, a.s., continued providing its services pursuant to several long-term agreements for both the main and the low maintenance seasons. It has been successful in maintaining and gradually expanding mutual co-operation with existing long-term clients. With new clients, a personalised approach, the quality of the work provided and strict adherence to set deadlines form the base for successful long-term co-operation.

In 2018, Czech Airlines Technics, a.s., entered a new market segment, aircraft consumables sales, using both our own extensive stored inventory and procuring bespoke customer requests via an established network of suppliers.

In the base maintenance area, in 2018, Czech Airlines Technics, a.s., performed over 120 large-scale inspections on B737, A320 family and ATR aircraft. Currently, Hangar F operations are performed using five standard base maintenance lines, with line six reserved for minor maintenance work.

In 2018, České aerolinie a.s., Finnair, Transavia Airlines, Germania, Smartwings, a.s., (former Travel Service, a.s.) and NEOS were among the main Czech Airlines Technics, a.s., clients, with additional work performed for the TUI Group. Alongside large-scale inspections, the Base Maintenance department also carried out various modifications and service bulletins, structural repairs, engine exchanges and the exchanges and repair of landing gear and other aircraft components. In addition, the project of aircraft cabin modification and Wi-Fi installation continued, alongside the SATCOM (satellite data/internet) installation.

Czech Airlines Technics, a.s., performs the largest share of line maintenance work at Václav Havel Airport Prague, where it is the largest provider within the segment. In 2018, České aerolinie a.s., remained the main Line Maintenance client of Czech Airlines Technics, a.s., with other major clients being Delta Air Lines, El Al, China Eastern Airlines, TAP, KLM, Wizz Air, Sichuan Airlines, Korean Air, Hainan Airlines, China Airlines, Transavia, Aeroflot, easyJet, Turkish Airlines, complemented by new clients, including American Airlines, Air Cairo and Cyprus Airways. In 2018, Czech Airlines Technics, a.s., provided Line Maintenance services to over 85% of the carriers operating flights to/from Prague.

Another important scope of Line Maintenance business included operating a foreign line maintenance station for the Slovak Government Fleet in Bratislava and the option of setting up short-term line maintenance stations abroad, based on requests by airlines.

Czech Airlines Technics, a.s., also launched operations of a new Line Maintenance Hangar S, primarily designed for lower-level aircraft maintenance tasks. The Hangar can house one Boeing 737, one Airbus of the A320 family or one ATR aircraft.

In 2018, the main Components Maintenance Czech Airlines Technics, a.s., clients included České aerolinie a.s., Smartwings, a.s., (former Travel Service, a.s.), ABS Jets, a.s., Aerotron and others. The company continually updates and expands its *Capability List* and specialises mainly in workshop repairs of ATR, A320/A330 and B737NG components. Czech Airlines Technics, a.s., entered a new market segment, aircraft wheel and brake repairs, in 2018. Czech Airlines Technics, a.s., also facilitates other areas of maintenance, subject to market demand, via co-operation with third parties.

As part of the Continuing Airworthiness Management Organisation (CAMO) services, Czech Airlines Technics, a.s., performs activities for aircraft operators vital to ensure the airworthiness of their aircraft, such as the drafting of aircraft and aircraft equipment maintenance programmes and task cards, the performance of periodic inspection work packages and keeping records of maintenance performed and aircraft modifications carried out, the monitoring of aircraft engine statuses, the preparation of aircraft loading and weight balancing documentation and data, and other activities. České aerolinie a.s., and GLOMEX were the main CAMO Support customers of the company in 2018.

In the landing gear maintenance area, Czech Airlines Technics, a.s., specialises in landing gear overhauls of B737 aircraft of the new generation and performs repair, modifications and surface treatment to individual components. In 2018, Czech Airlines Technics, a.s., successfully performed a number of landing gear maintenance projects, including overhauls, minor repairs and inspections of landing gear and landing gear components, for companies such as KLM, Transavia Airlines, Transavia France, Germania, Smartwings, a.s., (former Travel Service, a.s.), Enter Air, ATRAN, TUIfly Airlines, TUI Airlines Belgium, Fly Egypt, Nordstar Airlines and Blue Air.

The company, owns four spare landing gear sets for B737, out of which three sets fit the B737NG (New Generation) aircraft, while the fourth set fits the B737 (Classic Generation) aircraft. Czech Airlines Technics, a.s., leases spare landing gear sets to its clients to be used during the time of their landing gear set overhaul performance.

In 2018, the company, entered a new market segment of aircraft consumables sales. Thanks to the established network of suppliers and direct access to OEM, the size of the inventory, to a value exceeding \$15 million (CZK 311 million) as stored in facility of Czech Airlines Technics, a.s., at Václav Havel Airport Prague, and already established logistics support, Czech Airlines Technics, a.s., is able to respond to the demanding customer requirements connected with sales of a wide range of aircraft consumables in a flexible manner. Unlike in other industries, a sufficient amount of stored spare parts and aircraft components is crucial, primarily in situations where it is necessary to replace a component as quickly as possible so as to ensure the aircraft's speedy return to operations.

Czech Airlines Technics, a.s., already provides the service to Job Air, České aerolinie a.s., Smartwings, a.s., (former Travel Service, a.s.) and, as of recent, to the Ministry of Defence of the Czech Republic.

2. Company Management and Governance

Board of Directors of the Company

As at 31 December 2018, Letiště Praha, a. s., was managed by the Board of Directors, which had five members

Chairman of the Board of Directors

Ing. Václav Řehoř, Ph.D., MBA

Vice-Chairman of the Board of Directors

Ing. Radek Hovorka

Member of the Board of Directors

Ing. Jiří Kraus

Member of the Board of Directors

JUDr. Petr Pavelec, LL. M.

Member of the Board of Directors

Ing. Milan Špaček

Changes to the Board of Directors

Ing. Radek Hovorka – membership and Vice-Chairman role commenced on 1 March 2018, membership terminated on 26 June 2018, membership and Vice-Chairman role commenced on 27 June 2018, Vice-Chairman role terminated on 31 December 2018

Ing. Jiří Kraus – Vice-Chairman role terminated on 1 March 2018, membership terminated on 26 June 2018, membership commenced on 27 June 2018

JUDr. Petr Pavelec, LL. M. – membership commenced on 1 January 2018, membership terminated on 26 June 2018, membership commenced on 27 June 2018, membership terminated on 31 December 2018

Ing. Jiří Petržilka – membership terminated on 28 February 2018

Ing. Václav Řehoř, Ph.D., MBA – membership terminated on 26 June 2018, membership and Chairman role commenced on 27 June 2018

Ing. Milan Špaček – membership terminated on 26 June 2018, membership commenced on 27 June 2018

Supervisory Board of the Company

As at 31 December 2018, the Supervisory Board had six members.

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. Petr Minařík

Member of the Supervisory Board elected by employees

Kamil Pomahač

Member of the Supervisory Board

Ing. Petr Šobotník

Changes to the Supervisory Board

Jiří Hošek – membership commenced on 13 November 2018

Mgr. Ondřej Landa – membership commenced on 23 October 2018, role commenced on 16 November 2018

Ing. Petr Minařík – Supervisory Board Chairman role terminated on 16 November 2018 with Board Member status maintained

Ing. Petr Šobotník – Supervisory Board Vice-Chairman role terminated on 16 November 2018 with Board Member status maintained

Prof. Jan Švejnár, M.A., Ph.D. – membership commenced on 23 October 2018, role commenced on 16 November 2018

Audit Committee

As at 31 December 2018, the Audit Committee had three members.

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

Changes to the Audit Committee in 2018

Ing. Andrea Lukasíková – membership in the Audit Committee of Český Aeroholding, a.s., terminated on 30 September 2018, membership commenced on 23 October 2018, Vice-Chairperson role commenced on 1 November 2018

Ing. Petr Šobotník – membership in the Audit Committee of Český Aeroholding, a.s., terminated on 30 September 2018, membership commenced on 23 October 2018, Chairman role commenced on 1 November 2018

Ing. Ivo Středa – membership in the Audit Committee of Český Aeroholding, a.s., terminated on 30 September 2018, membership commenced on 23 October 2018

3. Human Resources

As at 31 December 2018, the companies within the Prague Airport Group employed 4,037 employees. In terms of the average number of employees in full-time equivalent units, the companies within the Prague Airport Group had 3,937 employees in 2018.

As at 30 September 2018 merged Český Aeroholding, a.s., and Letiště Praha, a. s., whereas the company Český Aeroholding, a.s., ceased to exist. Throughout 2018, regular meetings of the company management with employees took place. By the end of 2018, collective bargaining in the companies Letiště Praha, a. s., Czech Airlines Handling, a.s., and Czech Airlines Technics, a.s., was completed and new Collective Agreements for 2018 were entered into.

The Prague Airport Group devotes continuous and systematic attention to the development of its employees, particularly to enhancing their work skills and professional knowledge through an elaborate training system.

In 2018, EDUard, a new system of evidence of education, was launched. It serves as transparent tool for evidence of qualifications, attended training courses, offers self-registration features and e-learning courses. A new system of evaluating of employees focused on systematic development of their skills based on the established competence model was set up. In addition, TALENT POOL development programme was continued for the 11th year running.

As part of the corporate social responsibility strategy, Letiště Praha, a. s., seeks to offer its employees a range of active engagement options in this area. Letiště Praha, a. s., thus supports volunteer days. In 2018, every employee had the right to spend one work day helping out in one of the non-profit organisations that are active in the vicinity of the airport. Other activities include organising collections of objects aimed for charitable sale in Sue Ryder Homes. Based on the positive feedback from employees and participating organisations, such activities are planned to continue in the future.

The company Letiště Praha, a. s., offers a number of benefits to employees. Alongside an extra week of paid holiday, subsidised pension insurance and food supplied at favourable prices, employees enjoy optional benefits in a scheme called CAFETERIA that is equal to CZK 18,000 per employee per year. Every employee can select several options (holiday vouchers, passes for sport and cultural events or vocational training, life insurance contributions and the option of providing financial aid to a long-term charity partner of Letiště Praha, a. s., the organisation People in Need, noting that the amount given by the employee is subsequently doubled by Letiště Praha, a. s.).

4. Selected Events of 2018 and Outlook for 2019

Total operating revenues of the Prague Airport Group reached CZK 11,611 million, representing annual growth of 3%. Revenues of the parent company Letiště Praha, a. s., were positively influenced by year-on-year growth of the number of passengers in the amount of 8,97% as well as revenues from airport lounges, parking and rents and also increase in the airport capacity during the year. Regarding the subsidiaries, in the Czech Airlines Technics, a.s., there was a year-on-year increase in revenues in the area of the line maintenance enhanced by opening of a new hangar for line maintenance.

Total operating costs of the Prague Airport Group¹ of CZK 6,025 million rose year-on-year by 7% and were influenced mainly by an increase in wage costs of the parent company caused by an increase in the number of employees in connection with an increase of air traffic.

The Prague Airport Group gross operating profit² (EBITDA) of CZK 5,586 million reached the same level as in the preceding year.

The Prague Airport Group's financial position was stable throughout the entire year. The Prague Airport Group was able to meet all its obligations properly and in a timely manner.

The Prague Airport Group's other financial data are disclosed in its consolidated annual financial statements for the year 2018, appended to the annual report.

Main Events in 2018

January

- Václav Havel Airport Prague handles a total of 15,415,001 passengers in 2017, representing a 17.9% increase compared to 2016 and confirms its status as one of the fastest growing European airports handling 10–25 million passengers a year.
- On 2 January 2018, the carousel technology change at Terminal 1 Arrival Hall commences.
- Ryanair announces the launch of its new Paris route effective the end of October 2018.
- Seven Automated External Defibrillators (AEDs), devices able to restore failing vital life functions, are located around the airport premises.
- McLarens Aviation performs an independent Safety Audit of Czech Airlines Technics, a.s., with a very positive outcome.

¹ Total operating costs of the Prague Airport Group: total operating costs of the Prague Airport Group without depreciation, change of the decrease of the aircraft value, decrease of financial and contract assets and Exchange rate difference.

² Gross operating profit of the Prague Airport Group (EBITDA): gross operating profit of the Prague Airport Group without depreciation, change of decrease of the aircraft value, decrease of financial and contract assets and Exchange rate difference.

- Czech Airlines Technics, a.s., supports the company České Aerolinie a.s., at its Line Maintenance segment of the Hamburg station.
- Czech Airlines Technics, a.s., as the first independent MRO in Europe, expands its Line Maintenance authorisation with a CAAC Certificate, issued by the Chinese Aviation Authority.

February

- Ryanair announces the launch of its new regular scheduled Prague – Amman, Jordan, route, effective October 2018.
- The ACI Europe Airport Traffic Report places Václav Havel Airport Prague in fifth place among Europe's fastest-growing airports in the 10–25 million handled passenger category.
- Partial reconstruction of the technology used in the Terminal 2 baggage sorting hall commences.
- On 27 February 2018, the airport welcomes Czech Olympians upon their return from the PyeongChang 2018 Olympic Winter Games.
- Czech Airlines Technics, a.s., wins a public tender to supply the Ministry of Defence of the Czech Republic with aviation consumables (the Government Fleet).

March

- Ryanair announces the launch of its new regular scheduled route to Pisa, Italy, effective 30 October 2018 and new services to be operated to Marrakesh and to Eilat Ovda airport effective the start of the 2018 winter schedule.
- Norwegian Air Shuttle confirms the launch of its new regular scheduled connection to Gothenburg, Sweden, effective 27 April 2018.
- Cyprus Airways announces the increase in the number of connections between Larnaca, on the south-east coast of Cyprus, and Prague between 2 July and 10 September 2018.
- Ural Airlines announces an increase in the number of its connections between Yekaterinburg and Prague to four weekly effective the 2018 summer season; easyJet confirms the launch of the carrier's new direct connection between Prague and Tegel airport, Berlin, with three weekly flights, while Emirates confirms its second daily service between Prague and Dubai effective 1 July 2018.
- On 25 March 2018, the summer schedule comes into effect, comprising 157 destinations in 51 countries worldwide, including six new destinations.
- As a result of the success in the tender for an aviation fuel supplier, working with PKN Orlen, the Czech Airlines Handling, a.s., continues to supply aviation fuel to the Smartwings Group companies, including České Aerolinie a.s.
- Czech Airlines Handling, a.s., starts using new uniforms in line with the company's corporate identity.
- Czech Airlines Technics, a.s., enters into a Line Maintenance Agreement with GO2SKY.
- Czech Airlines Technics, a.s., representatives attend the MRO Russia & CIS Moscow Trade Fair and Conference.
- Czech Airlines Technics, a.s., launches pilot operations of its new line maintenance segment new Hangar S at Prague's airport.

April

- Moody's Investors Service, a renowned international rating agency, improves credit rating of Český Aeroholding, a.s., to A1 positive, which is the best rating that can be achieved in the Czech Republic. Letiště Praha, a. s., is the main asset of the Český Aeroholding, a.s.
- On 5 April 2018, a special flight is operated to commemorate the 81st anniversary of Letiště Praha, a.s.
- Effective April 2018, at peak times, there is only a three-minute wait between the 119 bus line services. As a result, there is a bus connection for each metro train arrival.
- Czech Airlines Technics, a.s., enters into a long-term Line Maintenance Agreement with American Airlines.
- Czech Airlines Technics, a.s., enters into a long-term Line Maintenance Agreement with Pobeda Airlines regarding services provided at Karlovy Vary airport.

May

- Václav Havel Airport Prague rates among the Top 5 European airports in the 10–25 million handled passenger category of the ACI Europe Best Airport Awards 2018 contest.
- American Airlines launches its flights connecting Prague and Philadelphia.
- Letiště Praha, a. s., signs a Memorandum of Understanding with a total of eight hospitals in Prague and Kladno. The airport is to use their services in the future in cases of extraordinary events and emergencies or in situations causing health issues to passengers or airport employees.
- Letiště Praha, a. s., launches its co-operation with the Ecumenical council of Churches.
- On 16 May 2018, the Government of the Czech Republic authorises the merger of Český Aeroholding, a.s., and Letiště Praha, a. s., with the latter becoming the legal successor and the former ceasing to exist without liquidation.
- Effective 19 May 2018, Wizz Air launches its regular scheduled flights from Prague to Kutaisi, the second largest city in Georgia.
- Letiště Praha, a. s., and the Incheon International Airport Corporation sign a new Memorandum of Understanding regarding their partnership on 22 May 2018.
- Working with PKN Orlen, the Czech Airlines Handling, a.s., supplies LOT Polish Airlines aircraft fleet with aviation fuel.
- Eight PCK 7,000 trailers from the Czech manufacturer, Zodiac Equipment, are delivered to Letiště Praha, a. s.
- Czech Airlines Technics, a.s., enters into a long-term Line Maintenance Agreement Cyprus Airways.
- Czech Airlines Technics, a.s., joins the Režim ostatní státy (Other States Scheme) project with the goal of hiring qualified Filipino employees.
- Czech Airlines Technics, a.s., representatives attend The Dublin Aviation Summit Trade Fair.
- Czech Airlines Technics, a.s., signs a Memorandum of Co-operation with the Masaryk Institute of Advanced Studies (MIAS School of Business) of the Czech Technical University in Prague (CTU).

June

- The new Central Security Checkpoint in Terminal 2, equipped with a total of eight fully automated and six manual X-ray lines, switches to full-time operations. The new space and technology used will increase the peak-time security screening capacity of Terminal 2 by up to 40%. The upgrade represents the largest development project in Terminal 2 since its launch of operations in 2006.
- On 1 June 2018, Cyprus Airways launches operations of its regular flights between Prague and Larnaca, on the south-east coast of Cyprus, for the 2018 summer season.
- On 15 June 2018, Letiště Praha, a.s., celebrates the 50th anniversary of the launch of operations of Terminal 1. The original look of Terminal North (as called then) resulted from the proposal presented by a group of architects led by Karel Fiskalk, a renowned architect.
- Václav Havel Airport Prague receives the “Highly Commended Airport” award and a special recognition in the prestigious ACI EUROPE Best Airport Awards in the category of airports handling 10–25 million passengers per year.
- Cyprus Airways become a new handling customer of Czech Airlines Handling, a.s.
- Sichuan Airlines, a Chinese air carrier, launches a new route to Zurich, Switzerland. Czech Airlines Handling, a.s., employees handle the carrier’s aircraft both upon arrival from China and prior to departure to the final destination.
- Czech Airlines Handling, a.s., provides aircraft handling, including aircraft refuelling services, to Jet Airways, an Indian air carrier which uses Václav Havel Airport Prague for its stop overs during delivery flights of new Boeing 737 MAX 8.
- Czech Airlines Technics, a.s., representatives attend the MRO BEER Conference.

July

- Effective July 2018, Emirates launches operations of its second daily frequency on the carrier’s Prague – Dubai route.

- easyJet confirms its plan to launch a connection between Prague and Belfast effective the start of the 2018 winter schedule.
- Letiště Praha, a.s., handles a total of 7,463,975 during the first half of 2018, representing a 10% year-on-year increase compared to the same period of 2017.
- Cyprus Airways announces the continued operations of its Prague – Larnaca route during the 2018 winter schedule.
- A new employee parking area located close to the APC building launches operations. As a result, approximately 600 parking spaces in parking buildings close to the terminals are freed for use by passengers, significantly increasing the airport parking capacity.
- Handling agreements Czech Airlines Handling, a.s., with the Lufthansa Group are extended, covering Austrian Airlines, Lufthansa and Swiss International Air Lines.
- A new TREPEL Champ 140 Main Deck Loader of pallets and containers with a capacity of up to 14 tons is delivered to Czech Airlines Handling, a.s.
- Czech Airlines Technics, a.s., expands its landing gear set overhaul authorisation with an ECAA Certificate, issued by the Egyptian Civil Aviation Agency.
- Czech Airlines Technics, a.s., expands its line maintenance authorisation with an MCAA Certificate, issued by the Mongolian Civil Aviation Authority.
- Czech Airlines Technics, a.s., outlines an organisational change with the goal of expanding its portfolio by including the service of consumables sales.
- Czech Airlines Technics, a.s., invests in a new grinding centre to be used by its landing gear set overhaul segment.
- Czech Airlines Technics, a.s., representatives attend the 2018 Farnborough International Airshow in Great Britain.

August

- Air Arabia confirms the launch of operations of the carrier's Prague – Sharjah route effective 11 December 2018.
- Turkish Airlines confirms an increase in the number of flights between Prague and Istanbul from three to four daily connections effective 27 May 2019.
- British Airways confirms the increased operations of its direct scheduled service between Prague and London City airport. Flights will be operated on a daily basis instead of six times a week, effective the winter schedule.
- United Airlines confirms the launch of operations of a regular scheduled daily-operated Prague – Newark in New Jersey route effective 7 June 2019.
- Two new Charlotte T135 EVO tugs are delivered to Czech Airlines Handling, a.s., together with 18 new ZODIAC PCK 2,000 trailers, while two new Mercedes Benz V220D vehicles are supplied to facilitate the handling of small aircraft.
- Czech Airlines Technics, a.s., invests in a new ball burnisher to be used by its landing gear set overhaul segment.

September

- Korean Air confirms that the carrier will use Boeing 787-9 Dreamliner to operate the Prague – Seoul route.
- Reconfigured aircraft handling stand 1 in Terminal 1's Pier A resumes operations. It is now possible to handle either one long-haul aircraft or two medium-haul aircraft at once using the stand, directly connected by jetways with new gates A3, A4 and A10.
- airBaltic confirms an increase in the number of its flights between Prague and Riga to 10 weekly during the winter season and to 11 weekly during the summer season.
- Václav Havel Airport Prague receives the "Highly Commended Airport" award at the World Routes Marketing Awards 2018 in Guangzhou, China, and second place in the category of airports handling 4-20 million passengers a year.
- Ryanair confirms the launch of 15 new routes from Prague. The air carrier's schedule will comprise a total of 30 routes from Prague, including brand new connections to Billund, Bournemouth, Pescara and Zadar.
- Czech Airlines Handling, a.s., employees handle Air India's Boeing 747-400 between 6 and 9 September 2018, during the state visit of the President of India to the Czech Republic.

- Co-operation Czech Airlines Handling, a.s., with Czech Airlines a.s. in the area of handling is terminated. Czech Airlines Handling, a.s., continues to provide ticketing and certain selected ground handling services to Czech Airlines a.s.
- Czech Airlines Technics, a.s., signs an Agreement with B. aircraft regarding technical assistance during a six-aircraft-redelivery task.
- Czech Airlines Technics, a.s., enters a new market segment of aircraft consumables sales.

October

- On 1 October 2018, the national merger by acquisition of Letiště Praha, a. s., as the legal successor, and the companies of Český Aeroholding, a.s., Realitní developerská, a.s., Sky Venture a.s. and Whitelines Industries a.s. takes effect. The companies of Český Aeroholding, a.s., Realitní developerská, a.s., Sky Venture a.s. and Whitelines Industries a.s. cease to exist without liquidation and their assets, rights and obligations pursuant to labour relations with affected employees are transferred to the successor company of Letiště Praha, a. s. The Board of Directors of Letiště Praha, a. s., divides its scope of responsibilities between five members of the Board. The existing subsidiaries of Český Aeroholding, a.s., namely B. aircraft, fa.s., Czech Airlines Handling, a.s., and Czech Airlines Technics, a.s, become subsidiaries of Letiště Praha, a. s., as at the date of effect of the merger. The decisive day of the merger is set at 1 January 2018.
- The Board of Directors of Letiště Praha, a. s., wins the BEST BOARD 2017 award from the Czech Institute of Directors for an extraordinary contribution to corporate governance.
- Honey produced by bees of Letiště Praha, a. s., retains a Gold Medal in the 2018 Czech Honey contest, held annually by the Czech Beekeepers Association. Beekeeping was established at Václav Havel Airport Prague in 2011 as one of the means of air quality biomonitoring.
- Air Arabia Maroc confirms its plan to operate direct scheduled flights between Prague and Casablanca twice a week effective 2 April 2019.
- Letiště Praha, a. s., in partnership with Mastercard, test runs the first Master Pepper robot. The robot offers its services to passengers in Terminal 2 after they pass security screening.
- On 28 October 2018, a winter schedule comes into effect, offering to the passengers regular scheduled connections to 114 destinations in 42 countries worldwide, including 10 new places.
- On 31 October 2018, Letiště Praha, a.s., welcomes the first Boeing 787 Dreamliner in Korean Air livery. A day later, the airport ceremonially welcomes the same type of aircraft bearing the Qatar Airways company colours.
- Effective 1 October 2018, Czech Airlines Handling, a.s., and Czech Airlines Technics, a.s., becomes a subsidiary of Letiště Praha, a. s., following the national merger by acquisition.
- A new aircraft refuelling cistern is delivered to Czech Airlines Handling, a.s. It consists of a Mercedes Benz Econic tractor and a Schwarzmüller aluminium tank semi-trailer with a tank capacity of 55,000 litres of JET A-1 kerosene.
- An agreement of Czech Airlines Handling, a.s., with Korean Air regarding aviation fuel supply is extended for another period. Korean Air operates its Prague flights using Boeing 787-9 Dreamliners during the winter season.
- The first EMS supervisory audit is performed in Czech Airlines Technics, a.s., with a very positive result.
- Czech Airlines Technics, a.s., representatives attend the MRO EUROPE Conference.
- Czech Airlines Technics, a.s., addresses an issue related to the proposal for the insolvency of Primera Air Nordic which affects its Landing Gear Set Overhaul segment.

November

- Vueling confirms the launch of its direct scheduled air connection between Prague and Florence to be operated during the 2019 summer season.
- Czech Airlines Handling, a.s., new Collective Agreement is concluded for the next time period.
- Czech Airlines Handling, a.s., Supervisory Board elections take place. Effective 1 January 2019, Ivan Chalachan becomes a new Supervisory Board member.
- Czech Airlines Handling, a.s., handles Alitalia's charter flight with A.S. Roma football club on board.
- As a result of the success in the tender for an aviation fuel supplier, working with PKN Orlen, Czech Airlines Handling, a.s., provides aircraft refuelling services to the International Airlines

Group Holding – one of the largest groups of airlines in the world associating British Airways, Iberia, Aer Lingus and Vueling.

- easyJet becomes another customer of the aircraft refuelling division of the Czech Airlines Handling, a.s.
- Czech Airlines Technics, a.s., enters into a long-term Landing Gear Set Overhaul Agreement with TUIfly GmbH.
- Czech Airlines Technics, a.s., completes the Hangar S pilot run and ceremonially launches its full-time operations.
- Czech Airlines Technics, a.s., successfully renews its AEO Certificate, maintaining the status of an Authorised Economic Operator with an unlimited period of validity.

December

- SunExpress confirms its launch of an air connection between Prague and Antalya for the 2019 summer season.
- On 11 December 2018, Air Arabia launches operations of its direct scheduled route connecting Sharjah with Prague.
- On 12 December 2018, Letiště Praha, a. s., breaks a historic record. The number of handled passengers a year exceeds the 16 million mark.
- Letiště Praha, a. s., receives the Information Safety Certificate pursuant to the Czech State Standard of ISO/IEC 27001.
- Ural Airlines confirms the launch of the carrier's connection between Prague and Zhukovsky International Airport close to Moscow effective 26 December 2018.
- As a result of marketing collaboration connected with incoming tourism, Letiště Praha, a. s., CzechTourism, Prague City Tourism and the Central Bohemia tourism headquarters have launched an advertising campaign in New York. The campaign aims to present Prague and Central Bohemia in the US as an attractive and safe destination and promote incoming tourism from the USA.
- Effective 11 December 2018, Air Arabia, operating flights between Prague and Sharjah, becomes a new ground handling customer of Czech Airlines Handling, a.s.
- Czech Airlines Handling, a.s., handles the President of South Korea Moon Jae-in's Boeing 747-400. The President stopped in Prague on his way to Argentina, where he, accompanied by the representatives of the South Korean government, attended the G20 summit.
- Czech Airlines Technics, a.s., supports Transavia Airlines at its Line Maintenance segment of the Innsbruck station.
- Czech Airlines Technics, a.s., signs a new Collective Agreement with a two-year effect.
- Czech Airlines Technics, a.s., successfully renews its Aviation Insurance Agreement.
- Letiště Praha, a. s., as the sole shareholder while exercising the powers of the General Meeting of the company B. aircraft, a.s., agrees to close Letter of Intent to sell six Airbus A319 aircraft.

Subsequent Events in 2019 until the signing of the Consolidated Annual Report

January

- Effective 1 January 2019, Ing. Jiří Kraus. takes on the role of the new vice-chairman of the Board of Directors of Letiště Praha, a. s. Ing. Radek Hovorka continues as the member of the Board of Directors.
- On 23 January 2019, a new Commercial Zone featuring six retail shops and a restaurant launches operations in Terminal 2.
- A public tender is closed for the architectonic solution of the public area in front of the expanded Terminal 2, which will contain two new parking buildings, a Skywalk (i.e. an elevated connecting corridor between the parking building and the Terminal) and a Plaza (i.e. an open space between the individual buildings included in the complex).
- Reconstruction of the Terminal 1 and 2 baggage sorting halls commences with the expected finish date set in June 2021. The capacity of the Terminal 1 baggage sorting hall will be increased. The technology used in both baggage sorting halls will be upgraded.
- As at 1 January 2019, Ivan Chalachan was elected as a Supervisory Board member of Czech Airlines Handling, a.s. Effective 1 January 2019, the sole shareholder while exercising the powers of the General Meeting appointed Jan Brázdil as a member of the Supervisory Board

of the Czech Airlines Handling, a.s. The Supervisory Board elected Jan Brázdil as the Vice-Chairman of the Supervisory Board on 6 February 2019.

- Effective 1 January 2019, Belavia uses the Czech Airlines Handling, a.s., handling services.
- Effective 15 January 2019, the Czech Airlines Handling, a.s., provides aircraft handling for Pegasus Airlines, a Turkish air carrier.
- Effective 1 January 2019, Jan Kment is elected as member of the Supervisory Board by the employees of Czech Airlines Technics, a.s., and with effect from the same date, the sole shareholder while exercising the powers of the General Meeting elects Jan Brázdil as another member of the Supervisory Board. On 4 February 2019, the Supervisory Board elects Jan Brázdil as Vice-Chairman of the Supervisory Board.
- Czech Airlines Technics, a.s., implements an organisational change with the goal of establishing its own HR department.
- Czech Airlines Technics, a.s., issues a new Technical Service Price List.
- Effective 21 January 2019, the sole shareholder acting in the capacity of the General Meeting of Czech Airlines Technics, a.s., elects Petr Doberský as member of the Board of Directors of the Czech Airlines Technics, a.s.

February

- The sole shareholder while exercising the powers of the General Meeting of Letiště Praha, a. s., approves a change of the Articles of Association, decreasing the number of Members of the Board of Directors from five to four effective 1 February 2019.
- Ural Airlines announces its plan to increase the number of flights on its regular route connecting Yekaterinburg in Russia with Prague, effective March 2019.
- China Eastern Airlines confirms the increase in the number of flights on its Prague – Shanghai route, effective May 2019.
- Ryanair announces the launch of its new regular scheduled service to the Spanish island of Mallorca, effective June 2019.
- Ryanair announces the launch of its new regular scheduled route to connect Prague with Bordeaux in France, effective October 2019.
- Letiště Praha, a. s., as the sole shareholder of B. aircraft, a.s., approves the conclusion of an Aircraft Sale Agreement regarding the Airbus A319 OK-MEK aircraft. The Agreement is concluded on 8 February 2019.
- The sole shareholder while exercising the powers of the General Meeting of the company Letiště Praha, a. s., approves financial plan for the year 2019 of the company Letiště Praha, a. s., including the investment plan, as per the recommendation of Board of Directors.
- Czech Airlines Handling, a.s., enters into an Agreement with American Airlines regarding the provision of complex ground handling services, effective May 2019.
- Czech Airlines Technics, a.s., successfully hires qualified Filipino employees under the Režim ostatní státy (Other States Scheme) project.
- Czech Airlines Technics, a.s., addresses an issue related to the proposal for the insolvency of Germania, which affects its Base Maintenance segment.

March

- On 1 March 2019, the term of office of Ing. Petr Minařík in the Supervisory Board comes to an end.
- Letiště Praha, a. s., receives the 2018 prestigious Airport Service Quality Award from the Airport Council International, an international association of airports.
- Letiště Praha, a. s., as the sole shareholder of B. aircraft, approves the conclusion of Aircraft Sale Agreements regarding the Airbus A319 OK-MEL, OK-NEM, OK-NEN, OK-NEO and OK-NEP aircraft. The Agreements are concluded on 8 March 2019. The aircraft will be gradually transferred to the seller in the period between 1 March 2019 and 30 September 2020. Until the signing of the consolidated financial statement, two aircraft were transferred.
- The sole shareholder while exercising the powers of the General Meeting of the company Letiště Praha, a. s., appoints the company PricewaterhouseCoopers Audit, a.s., as an auditor of Letiště Praha, a. s., for the period 2019-2022.
- The sole shareholder while exercising the powers of the General Meeting of B. aircraft, a.s., Czech Airlines Handling, a.s., and Czech Airlines Technics, a.s., appointed

PricewaterhouseCoopers Audit, s.r.o. as an auditor of B. aircraft, a.s., Czech Airlines Handling, a.s., and Czech Airlines Technics, a.s., for the period 2019 to 2022.

- Czech Airlines Technics, a.s., implements an organisational change with the goal of merging the Safety Management System and the Quality Assurance Departments.

April

- Letiště Praha, a. s., as the first airport in Europe, enters into a cooperative agreement with Hartsfield-Jackson Atlanta International Airport in Atlanta.
- Letiště Praha, a. s., and Václav Havel Library agree on a new installation commemorating President Václav Havel. The installation will replace the existing object in public area in Terminal 2.
- A tactical emergency training takes place at Václav Havel Airport Prague on 18 April 2019 focusing on an airplane accident during landing. The comprehensive training of cooperation is attended by the operation and safety bodies of Letiště Praha, a. s., in cooperation with Prague Fire Rescue Service, Police of the Czech Republic, Association of Samaritans of the Czech Republic, Prague Medical Rescue Service, Military Hospital Prague, Motol University Hospital and others.
- Letiště Praha, a. s., and Bamboo Airways sign a memorandum of understanding on cooperation.
- Letiště Praha, a. s., signs strategic partnership agreement with Chinese airline company Sichuan Airlines. Sichuan Airlines announces the launch of its new regular scheduled service to the Chinese city of Shenzhen.
- On 9 April 2019 Letiště Praha, a. s., as the sole shareholder, while exercising the powers of the General Meeting of the companies Czech Airlines Handling, a.s., and Czech Airlines Technics, a.s., takes the respective decisions regarding the closing of the accounting period (notably approving the respective financial statements, annual reports and proposals for profit distribution for 2018).
- Letiště Praha, a. s., gains Zlatý středník award in category “the best company presentation”.
- Ural Airlines announces an increase of number of flights to Zhukovsky close to Moscow, effective the summer schedule.
- Letiště Praha, a. s., gains Art Directors Club Creative Awards for destination marketing campaign launched in New York in December 2018.
- International rating agency Moody’s Investors Service kept positive outlook for credit rating of Letiště Praha, a. s.

An outlook for 2019

In 2019, Letiště Praha, a. s., will continue to attract customers within its catchment area and maintain its position of a preferred transfer hub. It will seek to increase the number of handled passengers in line with air transport industry development trends, optimise revenues from both aviation and non-aviation business and continue its work on the AirportCity concept to ensure the airport becomes yet more attractive for passengers and users of its infrastructure.

Following 2018’s record in terms of the number of handled passengers, Letiště Praha, a. s., expects passenger numbers as well as airport revenue growth to continue in 2019. In relation to the forecast increase in airport operations, partial modifications to existing terminal buildings, gates and aircraft handling stands will be executed in 2019. Reconstruction and expansion of baggage sorting halls, the fuel truck depot and aviation fuel pipeline have also been scheduled. Preparatory phases of investment projects vital for long-term airport development will also continue.

Letiště Praha, a. s., will continue to work with air carriers, actively seeking opportunities for launching new direct routes, supporting long-haul routes and increasing frequencies on existing connections. Air carriers will be offered the option of joining the “Fly via Prague” product.

Passengers can look forward to new retail shops, services, restaurants and refreshment options in the airport commercial activity segment, including the expansion of the baggage wrapping service, the creation of a new relaxation zone, new AeroRooms centre offering short term accommodation or rest in private, and continued optimization of airport parking options.

In 2019, as a guarantor of safe, secure and reliable operations, Letiště Praha, a. s., will comply with all national and international safety and security regulations and promote the continued proactive evaluation and management of the most serious risks. It will relentlessly strive to ensure the safety and security of passengers, staff and units active at the airport. To continue increasing safety and security within and around the airport remains the priority of Letiště Praha, a. s., for the year 2019.

In 2019, the aim of Czech Airlines Handling, a.s., is to maintain the high quality of services provided and to ensure existing customers remain in its customer portfolio. The company will strive to acquire new customers who will launch their flights to Prague.

In 2019, the Czech Airlines Technics, a.s will continue to focus on its main areas of expertise and job performance pursuant to existing contracts. As before, it will seek to expand external client services and both secure additional job orders from existing clients and enter into new agreements. Due to the increase in Base Maintenance and Landing Gear Maintenance capacity, Czech Airlines Technics, a.s., will focus on process optimisation and efficient job performance. In the aircraft component maintenance segment, an increased number of job orders is to be expected together with additions to the company's client portfolio.

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

In the period from 1 January 2018 to 31 December 2018, Letiště Praha, a. s., received thirty 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: 29

The number of issued Decisions declining the request: 1

The number of issued Decisions deferring the petition: 0

The number of appeals lodged against the Decision declining the request: 0

The number of complaints regarding the process of handling the request for information: 1

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

In the reporting period, Letiště Praha, a. s., was not involved in litigation regarding requests for information pursuant to the Act on Free Access to Information, and thus did not incur any costs for legal representation in connection with the legal proceedings.

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.

Český Aeroholding, a.s., that ceased to exist following the merger by acquisition effective 1 October 2018, whereas its legal successor became the company Letiště Praha, a. s., received during the period from 1 January 2018 to 30 September 2018, two submissions identified as requests for information under the Act on Free Access to Information.

The number of issued Decisions on the requests for information: 1

The number of issued Decisions declining the request: 1

The number of issued Decisions deferring the petition: 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, Český Aeroholding, a.s., did not receive any reimbursement of costs associated with the provision of information pursuant to the Act on Free Access to Information.

In the reporting period, Český Aeroholding, a.s., was not involved in litigation regarding requests for information pursuant to the Act on Free Access to Information, and thus did not incur any costs for legal representation in connection with the legal proceedings.

6. Responsibility for the Annual Report

The Board of Directors declares that the information included in the Consolidated Annual Report for 2018 corresponds to the real situation and gives a true and fair view of the financial position, financial performance and cash flow of the companies associated in the Prague Airport Group 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 the Prague Airport Group.

In Prague on 31 May 2019



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



Ing. Radek Hovorka
Member of the Board of Directors
Letiště Praha, a. s.

7. Annexes

- Consolidated Financial Statements of Letiště Praha, a. s., for the Year Ended on 31 December 2018 according to International Financial Reporting Standards as Adopted by the European Union
 - Consolidated Profit or Loss Account for the Year Ended on 31 December 2018
 - Consolidated Statement on Comprehensive Income for the Year Ended on 31 December 2018
 - Consolidated Balance Sheet as at 31 December 2018
 - Consolidated Statement of Changes in Equity for the Year Ended on 31 December 2018
 - Consolidated Cash-Flow Statement for the Year Ended on 31 December 2018
 - Notes to the Consolidated Financial Statements for the Year Ended on 31 December 2018
- Independent Auditor's Report to the Shareholder of Letiště Praha, a. s.

Letiště Praha, a. s.
Consolidated Financial Statements for the Year Ended 31 December 2018

**Consolidated Financial Statements for the Year Ended
31 December 2018 prepared in Accordance with International Financial
Reporting Standards as adopted by the European Union**

Letiště Praha, a. s.

Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	2018 CZK'000	2017 CZK'000
Revenues	3	11,510,878	11,107,328
Raw material, merchandise and energy	4	(1,610,291)	(1,739,932)
Repairs and maintenance services	5	(292,890)	(292,638)
Other services	6	(839,334)	(754,771)
Employee benefits	7	(3,128,596)	(2,707,468)
Depreciation and amortisation	13, 14, 15	(1,759,273)	(1,647,261)
Change of impairment of aircraft	8	256,076	(136,864)
Net impairment losses on financial and contract assets	29	(40,366)	-
Other operating income	9	100,320	114,078
Other operating expenses	10	(154,409)	(140,533)
Foreign exchange differences		2,114	(31,259)
Operating profit		4,044,229	3,770,680
Interest income and other financial income	11	8,670	1,300
Interest and other financial expenses	11	(32,489)	(94,883)
Profit before tax		4,020,410	3,677,097
Income tax (expense) / income	12	(710,488)	(699,242)
Profit for the year		3,309,922	2,977,855

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	2018 CZK'000	2017 CZK'000
PROFIT FOR THE YEAR		3,309,922	2,977,855
Other comprehensive income (loss)			
Items subsequently included in the profit or loss			
Gains on cash flow hedges		1,915	5,799
Cost of hedging		(2,661)	-
Hedging gains / (losses) reclassified to profit or loss		(5,090)	-
Income tax related to cash flow hedging	12	1,109	(1,102)
Items not subsequently included in the profit or loss			
Changes in the fair value of equity investments whose fair value is included in other comprehensive income		149	-
Other comprehensive loss for the year, net of tax		(4,578)	4,697
TOTAL COMPREHENSIVE LOSS FOR THE YEAR – PROFIT		3,305,344	2,982,552

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2018 CZK'000	As at 31 December 2017 CZK'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	30,291,828	30,281,515
Investment properties	14	1,997,067	2,018,646
Lease assets	13	1,709,241	-
Financial assets at fair value included in other comprehensive income		2,848	2,699
Intangible assets	15	338,508	332,647
Goodwill	15	11,084	11,084
Long-term receivables		1,487	816
Deferred tax asset	12	39,689	32,863
		34,391,752	32,680,270
Current assets			
Inventories	16	308,534	293,986
Trade and other receivables	17	1,496,984	1,476,469
Prepayments and other current assets	18	34,272	37,665
Income tax asset	12	46,587	42,098
Cash and cash equivalents	19	3,973,741	2,707,179
		5,860,118	4,557,397
TOTAL ASSETS		40,251,870	37,237,667
EQUITY AND LIABILITIES			
Shareholder's equity			
Issued capital	20,1	2,512,227	27,044,198
Share premium	1	-	462,276
Other reserves	20,1	24,541,044	13,623
Retained earnings		8,111,967	4,693,489
Total equity		35,165,238	32,213,586
Non-current liabilities			
Other non-current payables	23	266,694	195,959
Interest-bearing loans and borrowings	21	248,453	961,518
Provisions	24	21,283	12,468
Employee benefits liability	25	25,977	25,931
Non-current portion of lease liabilities	22	1,663,146	649,465
Deferred tax liability	12	442,641	480,493
		2,668,194	2,325,834
Current liabilities			
Trade and other payables	23	1,580,285	1,155,162
Interest-bearing loans and borrowings	21	721,078	1,435,549
Provisions	24	16,659	18,036
Current portion of lease liabilities	22	53,811	865
Income tax liability	12	46,605	88,635
		2,418,438	2,698,247
Total liabilities		5,086,632	5,024,081
TOTAL EQUITY AND LIABILITIES		40,251,870	37,237,667

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued capital CZK'000	Share premium CZK'000	Other reserves CZK'000	Retained earnings CZK'000	Total equity CZK'000
As at 1 January 2017	27,044,198	462,276	9,477	4,639,399	32,155,350
Total comprehensive income	-	-	4,697	2,977,855	2,982,552
Profit for the year	-	-	-	2,977,855	2,977,855
Other comprehensive income	-	-	4,697	-	4,697
Transactions with owner	-	-	(551)	(2,923,765)	(2,924,316)
Dividends	-	-	-	(2,923,765)	(2,923,765)
Other	-	-	(551)	-	(551)
As at 31 December 2017	27,044,198	462,276	13,623	4,693,489	32,213,586
Total comprehensive income	-	-	(4,578)	3,309,922	3,305,344
Profit for the year	-	-	-	3,309,922	3,309,922
Other comprehensive income	-	-	(4,578)	-	(4,578)
Transactions with owner	(24,531,971)	(462,276)	24,531,999	108,556	(353,692)
Dividends	-	-	-	(353,720)	(353,720)
Transfers *)	(24,531,971)	(462,276)	24,531,971	462,276	-
Other	-	-	28	-	28
As at 31 December 2018	2,512,227	-	24,541,044	8,111,967	35,165,238

*) Impact of the merger, for more information see note 1

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2018 CZK'000	2017 CZK'000
Operating activities			
Profit before tax		4,020,410	3,677,097
Non-cash transactions and adjustments for non-operating activities:			
Depreciation and amortisation	13,14,15	1,759,273	1,647,261
Impairment	8,10	(247,819)	141,720
Net interest costs	11	19,559	90,291
Change in provisions	24	7,439	(18,280)
Gain on disposal of non-current assets	9	(34,409)	(26,521)
Other non-cash charges, net		(129)	(687)
Working capital adjustments:			
Increase in trade and other receivables	17	(24,782)	(132,118)
Increase in inventories	16	(14,548)	(34,274)
Increase / (decrease) in trade and other payables	23, 25	195,295	(22,159)
Decrease in other assets	18	3,393	22
Income tax paid	12	(800,577)	(833,745)
Net cash flows from operating activities		4,883,105	4,488,307
Investing activities			
Proceeds from the sale of property, plant and equipment	9	56,210	44,113
Acquisition of non-current assets	13,14,15	(1,816,978)	(1,224,720)
Interest received	11	8,670	1,299
Net cash flows from investing activities		(1,752,098)	(1,179,308)
Financing activities			
Interest paid	11	(27,194)	(118,852)
Payment of lease liabilities	22	(52,089)	-
Repayments of bonds issued	21	-	(731,400)
Repayments of bank loans	21	(1,428,572)	(1,428,572)
Distribution of cash to the owner - dividends		(353,720)	(2,923,765)
Net cash flows from financing activities		(1,861,575)	(5,202,589)
Net increase in cash and cash equivalents	19	1,269,432	(1,893,590)
Cash and cash equivalents as at 1 January	19	2,707,179	4,600,769
Cash and cash equivalents as at 31 December	19	3,976,611	2,707,179

1. Corporate information

Letiště Praha a. s. is a state-owned joint-stock company incorporated on 6 February 2008 in the Czech Republic. Its registered office is located at K letišti 1019/6, Prague 6, postal code: 161 00, Czech Republic, and its business registration number (IČ) is 282 44 532. The ultimate controlling party is the Ministry of Finance, as the central State administration body, representing the Czech Republic.

As of 1 October 2018 Letiště Praha, a. s., Český Aeroholding, a.s., Realitní developerská, a.s., Sky Venture a.s. and Whitelines Industries a.s. have been merged by acquisition. As of this moment Český Aeroholding, a.s., Realitní developerská, a.s., Sky Venture a.s. and Whitelines Industries a.s. ceased to exist and the acquiring company Letiště Praha, a. s. entered into legal status of these companies being acquired and all equity (property and debts), including rights and duties from employment relations and rights and duties from contractual relations passed over from these companies being acquired to acquiring company Letiště Praha, a. s. Former subsidiaries of Český Aeroholding, a.s., i.e. B. aircraft, a.s., Czech Airlines Handling, a.s., and Czech Airlines Technics, a.s. became subsidiaries of Letiště Praha, a. s. The decisive date of the merger was 1 January 2018.

Due to the merger, the consolidating company has changed in the consolidated financial statements from the company Český Aeroholding, a.s. to Letiště Praha, a. s. ("the Company").

The parent company Letiště Praha, a. s. owns after the merger the following subsidiaries:

- Czech Airlines Handling, a.s. (acquired on 26 October 2011),
- Czech Airlines Technics, a.s. (acquired on 13 April 2012),
- B.aircraft, a.s. (acquired on 31 August 2012).

Other companies included in the consolidated financial statements 2017, i.e. companies

- Český Aeroholding, a.s. (incorporation 11 March 2011),
- Realitní developerská, a.s. (acquired on 19 December 2008),
- Sky Venture a.s. (acquired on 19 December 2008),
- Whitelines Industries a.s. (acquired on 19 December 2008)

ceased to exist as of 1 October 2018 due to the merger.

The Company and the companies stated above are included in the consolidated financial statements ("the Group").

The Group is involved mainly in the following activities:

- operations of the public international airport Václav Havel Airport Prague;
- rent of facilities and premises managed by the Group;
- ground handling of aircraft and passengers;
- providing aircraft technical maintenance services; and
- operating leases of aircrafts.

The consolidated companies in 2018 and 2017 include:

Subsidiary	Acquisition/ contribution date	2018		2017	
		Share in equity	Consolidation method	Share in equity	Consolidation method
Letiště Praha, a. s.	*)	consolidating company **)		100 %	full
Czech Airlines Handling, a.s.	26 October 2011	100 %	full	100 %	full
Czech Airlines Technics, a.s.	13 April 2012	100 %	full	100 %	full
B. aircraft, a.s.	31 August 2012	100 %	full	100 %	full
Realitní developerská, a.s.	19 December 2008	companies ceased to exist		100 %	full
Sky Venture a.s.	19 December 2008	due to the merger with the		100 %	full
Whitelines Industries a.s.	19 December 2008	consolidating company		100 %	full

*) The parent company Český Aeroholding, a.s. is the continuing entity of Letiště Praha, a. s. for the purpose of the consolidated financial statements 2017.

**) The parent company Letiště Praha, a. s. is the continuing entity of Český Aeroholding, a.s. for the purpose of the consolidated financial statements 2018.

2. Basis for preparation

These consolidated financial statements (“the financial statements”) have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS”) for the year ended 31 December 2018. The financial statements have been prepared under historical cost conventions. The exceptions are mentioned further in the corresponding notes.

The financial statements have been prepared from records originating and maintained in the Czech Republic, the country in which the Group operates. The accounting records are maintained in accordance with Czech legislation.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to both periods presented, unless stated otherwise.

2.1 Adoption of new or revised standards and interpretations

a) Standards and Interpretations effective in the current period

The Group has applied the following standards for the first time for their annual reporting period commencing 1 January 2018:

- IFRS 9 – Financial Instruments
- IFRS 15 – Revenue from Contract with Customers

The Group adopted IFRS 9 – Financial Instruments and IFRS 15 – Revenue from Contract with Customers from 1 January 2018. The Group elected not to restate comparative figures and recognised any adjustments to the carrying amounts of assets and liabilities as of the date of initial application of the standards, 1 January 2018. The Group has not recognised any impact on retained earnings for the reason that the impacts on retained earnings has not been material.

The Group also elected to adopt the following standards early:

- IFRS 16 – Leases

The group has elected to apply IFRS 16 Leases. In accordance with the transition provisions in IFRS 16 the new rules have been adopted retrospectively with the cumulative effect of initially applying the new standard recognized on 1 January 2018. Comparatives for the 2017 financial year have not been restated.

The following amended standards became effective from 1 January 2018, but did not have a material impact on the Group.

- Transfers of Investment Property - Amendments to IAS 40 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).
- Annual Improvements to IFRSs 2014-2016 cycle – Amendments to IFRS 1 and IAS 28 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).
- IFRIC 22 "Foreign currency transactions and advance consideration" (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).

2. Basis for preparation (continued)

2.1 Adoption of new or revised standards and interpretations (continued)

b) New accounting standards

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2019 or later, and which the Group has not early adopted.

IFRIC 23 "Uncertainty over Income Tax Treatments" (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019). IAS 12 specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. An entity should determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty. An entity should assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the effect of uncertainty will be reflected in determining the related taxable profit or loss, tax bases, unused tax losses, unused tax credits or tax rates, by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty. An entity will reflect the effect of a change in facts and circumstances or of new information that affects the judgments or estimates required by the interpretation as a change in accounting estimate. Examples of changes in facts and circumstances or new information that can result in the reassessment of a judgment or estimate include, but are not limited to, examinations or actions by a taxation authority, changes in rules established by a taxation authority or the expiry of a taxation authority's right to examine or re-examine a tax treatment. The absence of agreement or disagreement by a taxation authority with a tax treatment, in isolation, is unlikely to constitute a change in facts and circumstances or new information that affects the judgments and estimates required by the Interpretation.

Annual Improvements to IFRSs 2015-2017 cycle - amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019). The narrow scope amendments impact four standards. IFRS 3 was clarified that an acquirer should remeasure its previously held interest in a joint operation when it obtains control of the business. Conversely, IFRS 11 now explicitly explains that the investor should not remeasure its previously held interest when it obtains joint control of a joint operation, similarly to the existing requirements when an associate becomes a joint venture and vice versa. The amended IAS 12 explains that an entity recognises all income tax consequences of dividends where it has recognised the transactions or events that generated the related distributable profits, eg in profit or loss or in other comprehensive income. It is now clear that this requirement applies in all circumstances as long as payments on financial instruments classified as equity are distributions of profits, and not only in cases when the tax consequences are a result of different tax rates for distributed and undistributed profits. The revised IAS 23 now includes explicit guidance that the borrowings obtained specifically for funding a specified asset are excluded from the pool of general borrowings costs eligible for capitalisation only until the specific asset is substantially complete.

Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020). The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020). The amendments revise definition of a business. A business must have inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present, including for early stage companies that have not generated outputs. An organised workforce should be present as a condition for classification as a business if are no outputs. The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. An entity can apply a 'concentration test'. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets).

2. Basis for preparation (continued)

2.1 Adoption of new or revised standards and interpretations (continued)

b) New accounting standards (continued)

Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020). The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The Group anticipates that the adoption of the above stated standards, amendments to the existing standards and interpretations will have no material impact on the financial statements of the Group in the period of initial application.

2.2 Consolidation

a) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Acquisition-related costs in relation to business combinations are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

All the Group companies have 31 December as their year-end. Consolidated financial statements are prepared using uniform accounting policies for like transactions. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Unrealised profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated.

2. Basis for preparation (continued)

2.2 Consolidation (continued)

b) Changes in ownership of shares

When the group ceases to consolidate or equity account for an investment because of a loss of control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, or where appropriate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.3 Critical accounting judgments, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires that management exercises its judgment of applying the Group's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management's judgement is primarily exercised at the selection, application and assessment of fair values and selection, application and up-dating of the methods utilized for discounting and using of the accounting methods for the business combinations under common control.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

Impairment of non-current assets

For non-current assets the Group considers higher value from the value in use and the fair value less cost to sell. The fair value is based on the expert opinions of market values.

In 2017 for the aircraft the database of the prices of the company AVAC (The Aircraft Value Analysis Company) is considered for the fair value estimation, which is adjusted to reflect the physical condition of the main aircraft components and information obtained from the selling process of similar aircraft or market value.

In 2018 the market values confirmed by the sale contract are used as the initial value for the impairment calculation of aircraft.

For more details, see Note 8.

Investment property - classification

The investment property includes land and buildings held to earn rentals or for capital appreciation. The buildings are included when more than 90% of the building area is used or intended to be used to earn rent.

Leases of land

The Group leases the land, which is necessary for the airport operation and cannot be used for the other purpose by the owner.

In 2017, the value of the lease liability was derived from the discounted rent and the net value of the liability was not amortized during the time. The annual rent was disclosed as the finance lease interest.

New standard IFRS 16 – Leasing started to give instruction for the rents with an indefinite period of time. From 1 January 2018 the value of the leasing liability and the value of the right of use of fixed asset was adjusted and in accordance with new standard IFRS 16 – Leasing. As at 1 January 2018 the net value of the lease liability was calculated as the discount of the rent and the carrying value of the liability is amortized during the time. The asset (right-of-use asset) is amortized for 30 years (minimum expected time of the airport existence and therefore also the lease of land). The annual rent is disclosed as the lease interest and as a repayment of the lease liability.

2. Basis for preparation (continued)

2.4 Summary of significant accounting policies

a) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of the Group's entities are measured using the currency of the primary economic environment in which the entities of the Group operate ("the functional currency"). The functional currency of all Group entities and the presentation currency of these consolidated financial statements is the Czech crown (CZK).

Transactions and balances

Transactions denominated in the currencies other than Czech crowns are initially recorded using monthly foreign exchange rates valid as at the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies (except for the translation of hedged monetary items) are recognised in the income statement.

All financial assets, receivables and liabilities denominated in foreign currencies have been translated at the year-end exchange rate as published by the Czech National Bank.

Foreign exchange gains or losses arising from the year-end translation of securities are treated as a component of the fair value.

b) Goodwill

Goodwill arises on the acquisition of subsidiaries and enterprises and represents the excess of the consideration transferred and the fair value of the non-controlling interest in the acquiree over the net identifiable assets, liabilities and contingent liabilities of the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating unit or groups of cash-generating units that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the cash generating unit to which goodwill is allocated is compared to the recoverable amount of the cash generating unit. Impairment is first allocated to the goodwill, when goodwill is zero than to the other assets within the cash generating unit. Any impairment of goodwill is recognised immediately as an expense and is not subsequently reversed.

c) Customer relationships and other intangible assets

Intangible assets acquired separately are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets with finite lives are amortised over the useful life, using the straight-line method from the time they are available for use. Amortisation ceases at the earlier of the dates the asset is de-recognised or the date the asset is classified as held-for-sale.

The estimated useful lives of intangible assets are between 2 and 18 years. The estimated useful life is 16 years for customer relationships, 17.5 years for certifications and 2-10 years for other intangible assets. Licences are amortized over the contract term. The estimated useful lives and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period, and treated as changes in accounting estimates.

The trademarks are not amortized and they are tested for impairment.

On the balance sheet date, the carrying amounts of intangible assets are reviewed for impairment and amended if events or changes in circumstances indicate the carrying amounts may not be recoverable.

2. Basis for preparation (continued)**2.4 Summary of significant accounting policies (continued)****c) Customer relationships and other intangible assets (continued)**

Intangible assets that are no longer in use, are not expected to create any future economic benefits, or that are disposed of for any other reason, are derecognised from the balance sheet together with the corresponding accumulated depreciation. All gains or losses arising in this respect are recognised in operating profit or loss, i.e. net gain or loss is determined as the difference between net disposal proceeds, if any, and the carrying amount of the asset.

d) Property, plant and equipment and Investment properties

Property, plant and equipment, except for freehold land, are stated at cost less accumulated depreciation and accumulated impairment.

The self-constructed assets are valued at direct costs, which include direct material and payroll costs, and incidental costs directly attributable to the internal production of assets (production overheads).

Land is initially stated at cost and subsequently stated at cost less accumulated impairment losses. Free-of-charge transfers of plots of land from the state or other state enterprises were initially measured at fair value with a corresponding entry in equity.

Land and buildings, which are held substantially to earn rent or for capital appreciation rather than for use in the supply of services or sale in the ordinary course of business, are classified as investment properties. Investment property is stated at historical cost less accumulated depreciation and accumulated impairment.

The fair values of the investment properties, which reflect market conditions as at the balance sheet date, are disclosed in Note 14. Transfer from or to investment property is made when and only when, there is a change in use, evidenced by commencement of owner-occupation, for a transfer from investment property to owner-occupied property or end of owner-occupation, for a transfer from owner-occupied property to investment property.

The initial cost of property, plant and equipment and investment properties comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. The cost of property, plant and equipment and investment properties that are qualifying assets further includes borrowing costs incurred during the construction/acquisition of the assets.

Subsequent costs are capitalised when incurred if it is probable that future economic benefits associated with the item will flow to the Group and the costs of the item can be measured reliably. Other expenditures incurred after non-current assets have been put into operation, such as repairs and maintenance are normally charged to the income statement in the period in which the costs are incurred.

The items of property, plant and equipment and investment properties, excluding freehold land, are depreciated from the time they are available for use.

Land is not depreciated as it is deemed to have an indefinite life.

Depreciation of property, plant and equipment and investment properties is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives determined by the Group. The estimated useful lives are as follows:

Category	Years
Constructions	20 – 50
Runways and taxiways	20 – 60
Machinery and equipment	4 – 20
Vehicles (other than aircraft)	4 – 15
Aircraft	18 – 20

2. Basis for preparation (continued)

2.4 Summary of significant accounting policies (continued)

d) Property, plant and equipment and Investment properties (continued)

Rotables are depreciated over the expected useful life of the relevant aircraft. Aircraft and rotables are depreciated to its expected residual value.

The useful lives and residual values are reviewed periodically to ensure the consistency with the expected pattern of economic benefits from these assets.

At the date of acquisition, the cost of an aircraft is split between its individual components, which are depreciated separately based on their expected useful lives. When the next overhaul is performed, its cost is capitalized and depreciated over the expected period between two overhauls.

The carrying amounts of property, plant and equipment and investment properties are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable. If any such indication exists and where the carrying amounts exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount is the greater of fair value less cost to sell and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognised in the income statement.

The reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or the losses have decreased. However, the increased carrying amount of an asset due to a reversal of an impairment loss is recognised to the extent it does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for that asset in prior years.

Depreciation ceases at the earlier of the dates the asset is derecognised or the date the asset is classified as held-for-sale. Depreciation does not cease when the asset becomes temporarily idle or retired from active use unless the asset is fully depreciated.

Items of property, plant and equipment that are retired, are not intended for sale and are not expected to create any future economic benefits, or are otherwise disposed of, are eliminated from the balance sheet, along with the corresponding accumulated depreciation. Any gain or loss arising from retirement or disposal is included in operating profit, i.e. net gain or loss is determined as the difference between the net disposal proceeds and the carrying amount of the item.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

Construction-in-progress represents plant and properties under construction/acquisition and is stated at cost. This includes costs of construction, plant and equipment, other direct costs and borrowing costs incurred during the construction. Construction-in-progress is not depreciated until the relevant asset is completed and available for operational use.

2. Basis for preparation (continued)

2.4 Summary of significant accounting policies (continued)

e) Leases

A finance lease is a lease that transfers substantially all the risks and rewards incidental do ownership of an asset to the Group (the Group is lessee) or to the third party (the Group is lessor).

Finance leases are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments (the Group is lessee) or is disclosed the receivable at the present value of the minimum lease payments (the Group is lessor). Lease payments are apportioned between the finance charges / revenues and reduction of the lease liability / receivable so as to achieve a constant rate of interest on the remaining balance of the liability / receivable. Finance charges / revenues are charged in the income statement. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term (the Group is lessee).

As stated in note 2.1 a) above, the Group adopted IFRS 16 Leases retrospectively from 1 January 2018. The group recognizes leases according to IFRS 16 Leases as a right-of-use asset and a corresponding liability at the date at which the leased assets is available for use. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant rate of interest on the remaining balance of the liability for each period.

Assets and liabilities arising from a lease are initially measured on a present value basis of the lease payments. Lease liabilities include the net present value of the lease payments. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the group's incremental borrowing rate.

For the leasing of the land see note 2.3.

f) Derivative financial instruments and hedge accounting

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates cash flow hedges if derivatives are hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions.

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flow of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

The fair values of derivative financial instruments designated in hedge relationships are disclosed in Note 29. Movements in the hedging reserve in shareholders' equity are shown in Note 20. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in the cash flow hedge reserve within equity. The gain or loss relation to the ineffective portion is recognised immediately in profit or loss, within other gains / (losses).

When forward contracts are used to hedge forecast transactions, the group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognized in the cash flow hedge reserve within equity.

2. Basis for preparation (continued)

2.4 Summary of significant accounting policies (continued)

f) Derivative financial instruments and hedge accounting

Amount accumulated in equity are reclassified in the periods when the hedged item affects profit or loss.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting and when the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

g) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs of inventories include the purchase price and related costs of acquisition. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

h) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

Trade receivables that generally have 14-17-day credit terms (domestic invoices) and 30-day credit terms (foreign invoices) are originally recognised at fair value and subsequently at amortised cost less impairment. The Group has adopted the simplified expected credit loss model of its trade receivables and contract assets, as required by IFRS 9. An impairment of trade receivables is established for individual receivables when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the allowance is the difference between the asset's carrying amount and the recoverable amount. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

i) Cash and cash equivalents

Cash and cash equivalents include cash in hand, cash in transit, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried in the balance sheet at nominal value.

Restricted cash is not included within cash and cash equivalents for the purpose of cash flow reporting.

Bank overdrafts are shown within Interest-bearing loans and borrowings in current liabilities on the statement of the financial position.

j) Interest-bearing borrowings

Borrowings are initially recognised at the fair value of the consideration received net of directly attributable transaction costs. After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost using the effective interest rate method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the loans/borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer the settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalised until the assets are ready for their intended use. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds.

2. Basis for preparation (continued)

2.4 Summary of significant accounting policies (continued)

k) Bonds

The bonds are initially recognized in the amount of the inflows from the issued bonds reduced by the transaction expenses. Then they are disclosed in the net book value which is stated based on the effective interest rate. The difference between the nominal value and the initial value of the debt is booked as the interest expense in the profit and loss account from the time the bond is issued to the maturity of the bond.

l) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed as at each balance sheet date and adjusted to reflect the current best estimate. If the effect of the time value of money is material, the amount of provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a financial expense.

m) Employee benefits

The Group, in the normal course of business, makes fixed contributions to the Czech Republic state and private pension funds on behalf of its employees. The Group does not operate any other pension scheme or post-retirement defined benefit plan and, consequently, has no legal or constructive obligation to make further contributions if the funds do not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The Czech Republic state and private pension funds are defined contribution plans.

The Group provides to its employees jubilee benefits, based on their age and based on the duration of their work contract.

The employee benefit liabilities is calculated by the projected unit credit method.

n) Revenue recognition

Revenues 2017

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates or duty.

Rendering of services

Revenue from rendering services mainly consists of airport fees, which consist of:

- passenger tax – fee for each departing passenger;
- landing fee – fee for each landed ton of the maximum certified take-off weight of aircraft;
- noise fee – fee based on the noise category of the aircraft and its maximum certified take-off weight;
- parking fee – fee based on the number of hours and maximum certified take-off weight of the aircraft; and
- others – revenues from handling and check-in services.

The revenue from the rendering of services also includes revenue from commercial activities. That mainly consists of revenues from the sale of energy and other services to the lessees, revenues from car parking space, revenues from the sale of advertising services and revenues from the call centre services.

The revenue is recognised upon the performance of the service.

Gains arising from contracts on aircraft repairs are recognized based on the stage of completion of the contract.

2. Basis for preparation (continued)

2.4 Summary of significant accounting policies (continued)

n) Revenue recognition (continued)

Rental income

Rental income arising from the rental of aircraft, office and commercial space in the terminals and land is accounted for on a straight-line basis over the lease term on ongoing leases. The variable part of the rent is calculated as a percentage from the tenant's turnover and is recognised in the period in which the claim to the variable part of the rent occur.

Sales of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

Interest income

Interest income is recognised using the effective interest method.

Revenues 2018

The accounting policies for the group's revenue from contracts with customers are explained in Note 3.2 a).

o) Operating profit

Operating profit comprises profit for the year before net financial income and expenses and before income tax expenses. Financial income and expenses mainly comprise interest expenses and income.

p) Income tax

Current income tax

The income tax is calculated in accordance with Czech tax regulations and is based on the profit or loss reported under Czech accounting regulations, adjusted for appropriate permanent and temporary timing differences.

The current income tax asset or liability for the current and prior periods is measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax

A deferred income tax is calculated using the liability method applied, with the bellow stated exceptions, to all temporary differences arising between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes as at the balance sheet date. Currently enacted tax rates and laws expected to apply when the asset is realised or the liability is settled are used to determine the deferred income tax.

Deferred income tax liability is recognised for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, as at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax asset is recognised for all deductible temporary differences, carry-forwards of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forwards of unused tax credits and unused tax losses can be utilised except where the deferred income tax asset related to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, as at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

2. Basis for preparation (continued)

2.4 Summary of significant accounting policies (continued)

p) Income tax (continued)

The Group accounts for the tax consequences of transactions and other events in the same way that it accounts for the transactions and other events themselves. Thus, for transactions and other events recognised in the income statement, any related tax effects are also recognised in the income statement. For transactions and other events recognised directly in equity, any related tax effects are also recognised directly in equity.

q) Contingent liabilities

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

r) Related party transactions

For the purposes of the disclosures, the Group considers related parties to be those entities, controlled or significantly influenced by the state or key management personnel, and key management personnel themselves.

s) Fair value of financial instruments

The Group's financial instruments comprise trade and other receivables, cash and cash equivalents, derivative financial instruments, trade and other payables and borrowings. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash Equivalents

The carrying amount of cash equivalents approximates fair value due to the relatively short-term maturity of this financial instrument.

Current receivables and payables

The carrying amount of current receivables and payables approximates fair value due to the short-term maturity of these financial instruments.

Derivative financial instruments

The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

Long-term Debt

The determination of fair value of long-term debt is based on the future cash flows discounted using market interest rates. The carrying amounts of long-term debt and other payables with variable interest rates approximate their fair values.

Fair value estimation

Financial instruments are grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2. Basis for preparation (continued)**2.4 Summary of significant accounting policies (continued)****t) Subsequent Events**

Events after the reporting period which provide evidence of conditions that existed at the end of the reporting period (adjusting events) are reflected in the financial statements. Events after the reporting period which are indicative of conditions that arose after the reporting period (non-adjusting events) are disclosed in notes, when they are material.

u) Carbon allowances

The Group receives, free of charge, carbon emission allowances from the Ministry of the Environment. Initially the grant is recognized as an intangible asset at the fair value of allowance granted and it is not amortized. The intangible asset is derecognised based on the actual consumption of the allowances during the accounting period. Subsequently, the unused part of allowances is carried at the balance sheet at cost. In the event of the diminution of the emission allowances market price, the unused allowances are re-valued at their market prices as at the balance sheet date. On the face of the balance sheet, the carbon emission allowances are presented under the "other intangibles" position within the "intangible assets" position. The revaluation is recognized as other operating expense/revenue. The grant is recognized profit or loss on a systematic basis over the compliance period for which the allowances were issued.

2.5 Changes in accounting policies

This note explains the impact of the adoption of IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases on the group's financial statements.

a) Impact as at 1 January 2018

As explained in note 2.1 a) these standards was generally adopted without restating comparative information.

The following tables show the adjustments recognised for each individual line item of the consolidated statement of financial position. Line items that were not affected by the changes have not been included.

	Notes	As at 1 January 2018 CZK'000	IFRS 16 impact CZK'000	As at 31 December 2018 CZK'000
ASSETS				
Non-current assets				
Property, plant and equipment	13	29,632,050	(649,465)	30,281,515
Lease assets		1,768,181	1,768,181	-
		33,798,986	1,118,716	32,680,270
TOTAL ASSETS		38,356,383	1,118,716	37,237,667
EQUITY AND LIABILITIES				
Non-current liabilities				
Non-current portion of lease liabilities	22	1,715,876	1,066,411	649,465
		3,392,245	1,066,411	2,325,834
Current liabilities				
Current portion of lease liabilities	22	53,170	52,305	865
		2,750,552	52,305	2,698,247
Total liabilities		6,142,797	1,118,716	5,024,081
TOTAL EQUITY AND LIABILITIES		38,356,383	1,118,716	37,237,667

For more detail see note 22.

New standards IFRS 9 Financial instrument and IFRS 15 Revenues from Contracts with Customers have no impact on the rows of the balance sheet as at 1 January 2018.

2. Basis for preparation (continued)

2.5 Changes in accounting policies (continued)

b) Comparative information

Below it is stated financial statements 2018 of the Group in case those standards IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases were not adopted. It is also stated comparative information of the year 2017.

Details to the adoption of the new standards are stated below in the notes:

IFRS 9 Financial instruments – note 17, 19 and 29

IFRS 15 – Revenue from Contracts with Customers – note 3, 17 and 29

IFRS 16 – Leases – note 22

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	2018 Reported CZK'000	New standards impact CZK'000	Standard	2018 According to original standards CZK'000	2017 CZK'000
Revenues	11,510,878	7,541	IFRS 15	11,503,337	11,107,328
Raw material, merchandise and energy	(1,610,291)	-		(1,610,291)	(1,739,932)
Repairs and maintenance services	(292,890)	-		(292,890)	(292,638)
Other services	(839,334)	-		(839,334)	(754,771)
Employee benefits	(3 128,596)	-		(3,128,596)	(2,707,468)
Depreciation and amortisation	(1 759,273)	(58,940)	IFRS 16	(1,700,333)	(1,647,261)
Impairment of aircraft	256,076	-		256,076	(136,864)
Net impairment losses on financial and contract assets	(40,366)	(40,366)	IFRS 9		
Other operating income	100,320	-		100,320	114,078
Other operating expenses	(154,409)	35,189	IFRS 9	(189,598)	(140,533)
Foreign exchange differences	2,114	-		2,114	(31,259)
Operating profit	4,044,410	(56,576)		4,100,805	3,770,680
Interest income and other financial income	8,670	-		8,670	1,300
Interest and other financial expenses	(32,489)	52,305	IFRS 16	(84,794)	(94,883)
Profit before tax	4,020,410	(4,271)		4,024,681	3,677,097
Income tax (expense) / income	(710,488)	657		(711,145)	(699,242)
Profit for the year	3,309,922	(3,614)		3,313,536	2,977,855

2. Basis for preparation (continued)

2.5 Changes in accounting policies (continued)

b) Comparative information (continued)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2018 Reported CZK'000	New standards impact CZK'000	Standard	2018 According to original standards CZK'000	2017 CZK'000
PROFIT FOR THE YEAR	3,309,922	(3,614)		3,313,536	2,977,855
Other comprehensive income (loss)					
Items subsequently included in the profit or loss					
Gains on cash flow hedges	1,915	-		1,915	5,799
Cost of hedging	(2,661)	-		(2,661)	-
Hedging gains reclassified to profit or loss	(5,090)	-		(5,090)	-
Income tax related to cash flow hedging and derivatives	1,109	-		1,109	(1,102)
Items not subsequently included in the profit or loss					
Changes in the fair value of equity investments whose fair value is included in other comprehensive income	149	-		149	-
Other comprehensive loss for the year, net of tax	(4,578)	(3,614)		(4,578)	4,697
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ~ PROFIT	3,308,958	3,305,344		3,308,958	2,982,552

2. Basis for preparation (continued)

2.5 Changes in accounting policies (continued)

b) Comparative information (continued)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December 2018 Reported CZK'000	New standards impact CZK'000	Standard	As at 31 December 2018 According to original standards CZK'000	As at 31 December 2017 CZK'000
ASSETS					
Non-current assets					
Property, plant and equipment	30,291,828	(649,465)	IFRS 16	30,941,293	30,281,515
Investment properties	1,997,067	-		1,997,067	2,018,646
Lease assets	1,709,241	1,709,241	IFRS 16		
Long-term financial assets	2,848	-		2,848	2,699
Intangible assets	338,508	-		338,508	332,647
Goodwill	11,084	-		11,084	11,084
Long-term receivables	1,487	-		1,487	816
Deferred tax asset	39,689	24		39,665	32,863
	34,391,752	1,059,800		33,331,952	32,680,270
Current assets					
Inventories	308,534	-		308,534	293,986
Trade and other receivables	1,496,984	5,234	IFRS 15 and IFRS 9	1,491,750	1,476,469
Prepayments and other current assets	34,272	-		34,272	37,665
Income tax asset	46,587	-		46,587	42,098
Cash and cash equivalents	3,973,741	(2,870)	IFRS 9	3,976,611	2,707,179
	5,860,118	2,364		5,857,754	4,557,397
TOTAL ASSETS	40,251,870	1,062,164		39,189,706	37,237,667
EQUITY AND LIABILITIES					
Shareholder's equity					
Issued capital	2,512,227	-		2,512,227	27,044,198
Share premium	-	-		-	462,276
Other reserves	24,541,044	-		24,541,044	13,623
Retained earnings	8,111,967	(3,614)		8,115,581	4,693,489
Total equity	35,165,238	(3,614)		35,168,852	32,213,586
Non-current liabilities					
Other non-current payables	266,694	-		266,694	195,959
Interest-bearing loans and borrowings	248,453	-		248,453	961,518
Provisions	21,283	-		21,283	12,468
Employee benefits liability	25,977	-		25,977	25,931
Non-current portion of lease liabilities	1,663,146	1,013,681	IFRS 16	649,465	649,465
Deferred tax liability	442,641	(632)		443,273	480,493
	2,668,194	1,013,049		1,655,145	2,325,834
Current liabilities					
Trade and other payables	1,580,285	-		1,580,285	1,155,162
Interest-bearing loans and borrowings	721,078	-		721,078	1,435,549
Provisions	16,659	-		16,659	18,036
Current portion of lease liabilities	53,811	52,729	IFRS 16	1,082	865
Income tax liability	46,605	-		46,605	88,635
	2,418,438	52,729		2,365,709	2,698,247
Total liabilities	5,086,632	1,065,778		4,020,854	5,024,081
TOTAL EQUITY AND LIABILITIES	40,251,870	1,062,164		39,189,706	37,237,667

2. Basis for preparation (continued)

2.5 Changes in accounting policies (continued)

b) Comparative information (continued)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued capital CZK'000	Share premium CZK'000	Other reserves CZK'000	Retained earnings CZK'000	Total equity CZK'000
As at 1 January 2017	27,044,198	462,276	9,477	4,639,399	32,155,350
Total comprehensive income	-	-	4,697	2,977,855	2,982,552
Profit for the year	-	-	-	2,977,855	2,977,855
Other comprehensive income	-	-	4,697	-	4,697
Transactions with owner	-	-	(551)	(2,923,765)	(2,924,316)
Dividends	-	-	-	(2,923,765)	(2,923,765)
Other	-	-	(551)	-	(551)
As at 31 December 2017	27,044,198	462,276	13,623	4,693,489	32,213,586
Total comprehensive income	-	-	(4,578)	3,313,536	3,308,958
Profit for the year	-	-	-	3,313,536	3,313,536
Other comprehensive income	-	-	(4,578)	-	(4,578)
Transactions with owner	(24,531,971)	(462,276)	24,531,999	108,556	(353,692)
Dividends	-	-	-	(353,720)	(353,720)
Transfers *)	(24,531,971)	(462,276)	24,531,971	462,276	-
Other	-	-	28	-	28
As at 31 December 2018	2,512,227	-	24,541,044	8,115,581	35,168,852

*) Impact of the merger, for more information see note 1 above

The only impact of the new standards on the consolidated statement of changes in equity is in the item Profit for the year, which is reported in the amount of CZK 3,309,922 thousand for the year 2018, while if we had used original standards the reported profit should have been in the amount of CZK 3,313,536 thousand.

2. Basis for preparation (continued)

2.5 Changes in accounting policies (continued)

b) Comparative information (continued)

CONSOLIDATED STATEMENT OF CASH FLOWS

	2018 Reported CZK'000	New standards impact CZK'000	Standard	2018 According to original standards CZK'000	2017 CZK'000
Operating activities					
Profit before tax	4,020,410	(4,271)		4,024,681	3,677,097
Non-cash transactions and adjustments for non-operating					
Depreciation and amortisation	1,759,273	58,940	IFRS 16	1,700,333	1,647,261
Impairment	(247,819)	2,871	IFRS 9	(240,690)	141,720
Net interest costs	19,559	(52,305)	IFRS 16	71,864	90,291
Change in provisions	7,439	-		7,439	(18,280)
Gain on disposal of non-current assets	(34,409)	-		(34,409)	(26,521)
Other non-cash charges, net	(129)	-		(129)	(687)
Working capital adjustments:					
Increase in trade and other receivables	(24,782)	(5,235)	IFRS 15	(19,547)	(132,118)
Increase in inventories	(14,548)	-		(14,548)	(34,574)
Increase / (decrease) in trade and other payables	195,295	-		195,295	(22,159)
Decrease in other assets	3,393	-		3,393	22
Income tax paid	(800,577)	-		(800,577)	(833,745)
Net cash flows from operating activities	4,883,105	-		4,883,105	4,488,307
Investing activities					
Proceeds from the sale of property, plant and equipment	56,210	-		56,210	44,113
Acquisition of non-current assets	(1,816,978)	-		(1,816,978)	(1,224,720)
Interest received	8,670	-		8,670	1,299
Net cash flows from investing activities	(1,752,098)	-		(1,752,098)	(1,179,308)
Financing activities					
Interest paid	(27,194)	(52,089)	IFRS 16	(79,283)	(118,852)
Payment of lease liabilities	(52,089)	52,089	IFRS 16	-	-
Repayments of bonds issued	-	-		-	(731,400)
Repayments of bank loans	(1,428,572)	-		(1,428,572)	(1,428,572)
Distribution of cash to the owner - dividends	(353,720)	-		(353,720)	(2,923,765)
Net cash flows from financing activities	(1,861,575)	-		(1,861,575)	(5,202,589)
Net increase in cash and cash equivalents	1,269,432	-		1,269,432	(1,893,590)
Cash and cash equivalents as at 1 January	2,707,179	-		2,707,179	4,600,769
Cash and cash equivalents as at 31 December	3,976,611	-		3,976,611	2,707,179

3. Revenue from contracts with customers and rental income

3.1 Dissagregation of revenue

The Group derives revenue in the following major categories:

CZK'000	2018	2017
Revenues from contracts with customers		
Aeronautical revenues		
Passenger fees	4,390,482	4,247,354
Plane fees	987,475	872,544
Other fees	225,779	197,875
Aircraft maintenance and overhauls	1,613,163	1,470,842
Handling, storage, aircraft fuelling and sale of fuel	834,499	1,005,044
Handling services	731,973	779,423
Total aeronautical revenues	8,783,371	8,573,082
Non-aeronautical revenues		
Energy and utilities	163,755	153,495
Non-aeronautical services to passengers	494,862	388,448
Other	287,773	271,391
Total non-aeronautical revenues	946,390	813,334
Total revenues from contracts with customers	9,729,761	9,386,416
Rental income		
Commercial rents	1,332,422	1,255,586
Aircraft lease	448,695	465,326
Total rental income	1,781,117	1,720,912
Total revenue	11,510,878	11,107,328

3.2 Accounting policies and significant judgements

a) Revenue from contracts with customers

Aeronautical fees

The Group provides services connected to the usage of the civil international Václav Havel Airport Prague mainly to air carriers and charges them with three main categories of airport fees for it:

- Passenger service charges – The Group collects from air carriers for every departing passenger charge for usage of Airport's resources and infrastructure together with so called PRM service charge (based on Regulation (EC) 1107/2006 of the European Parliament and of the Council) for services provided for passengers with reduced mobility. Revenues from passenger service charges are recognized at the time of departure.
- Landing charge – The Group charges air carrier for every airplane that lands on Václav Havel Airport Prague. The charge depends on the certified maximum takeoff weight (MTOW) of the airplane. Revenues from landing charge is recognized at the moment of landing.
- Other airport charges – The Group also charges other fees for specific services connected to the usage of Airport's resources. These charges include mainly:
 - parking charges,
 - noise charges serving as regulation and factor supporting decrease of noise pollution,
 - use of check-in charges,
 - transfer of passengers from plane to terminal is charged through usage of buses or usage or loading bridge.

3. Revenue from contracts with customers and rental income (continued)

3.2 Accounting policies and significant judgements (continued)

a) Revenue from contracts with customers (continued)

Revenues from other airport charges are recognized at the moment of provision of the service.

The Airport Price list is prepared pursuant to Act No. 49/1997 Coll., on Civic Aviation, as amended and Regulation of the European Parliament and of Council (ES) 12/2009 on Airport Charges. The Airport Price list is reviewed with air carriers before being issued and is declared for period of one year. Basic price groups are same for all air carriers.

The total charge of whole flight can differ according to awarded incentives. The incentive scheme motivates air carriers to develop air connections to and from Václav Havel Airport Prague and contributes to effective usage of Airport's infrastructure and capacity. The involvement of the air carrier in the incentive program must be approved by the Group, the criteria are objective and the same for all carriers. The determination of the airport price list including the incentive program is transparent, the proposal is duly discussed annually with the users of the Airport. The most significant incentives are:

Volume-based incentive program - they are awarded for reached volume and year on year increase in number of passengers. The incentive is paid to air carrier through regressive discount on last year airport charges or provision of marketing support budget for next period – these are disclosed in expenses.

Route- based incentive program - the incentives are provided to air carriers that extended their activities by launching new destinations, increase in their seat capacity or replacing existing operations. The incentive is awarded as discount to landing charge and passenger charge. It may be also made available as marketing support budget for development of regular connection.

In addition to these incentives the Group supports usage of off-peak times, increase in capacity or increase in operation of off-season destinations.

Incentives are charged on an ongoing basis according to the actual drawdown and performance of each air carrier. Estimated items for volume incentives are adjusted after the end of the calendar year according to the actual operating results.

The airport charges are usually invoiced in monthly interval and 17-day (domestic invoices) and 30-day (foreign invoices) due period is generally applied. Performance obligations from provided services are satisfied at a point in time or overtime (but in very short time period). Based on risk determination of individual carriers the Group requires security in form of bank guarantee, advance or deposit.

Aircraft maintenance and overhauls

The Group provides services connected to the repair and maintenance of aircraft. The main revenue streams come from base maintenance, line maintenance, landing gear maintenance, components maintenance and CAMO support.

Line maintenance includes visual external inspections of aircraft and refilling of operation fluids (among other things check for damages, safety, signs of leakage, doors, panels). Line maintenance is usually carried out by maintenance personnel outside the hangar. The Group provides these services mainly at Václav Havel Airport Prague or on temporary foreign base of operation. The services are provided based on contract or order. The price is set in the contract or the general price list applied. Part of the customers use monthly lump sum agreement. The invoicing is taking place monthly or after the service is rendered. The invoices usually have a 30 day maturity.

Base maintenance represents aircraft inspection on higher level and maintenance according to the specification of the aircraft manufacturer. The works are carried out in the hangar and require larger or smaller dismantling of the aircraft. These services are provided for long-term and ad-hoc customers and are based on contracts. There are two stages of the billing process. So called FIX is invoiced before the works start and it represents series of operations prescribed by the aircraft manufacturer for the relevant check. Upon completion of the repair, the additional work, additional material used or granted rotables are invoiced. The standard maturity of issued invoices is 30 days.

3. Revenue from contracts with customers and rental income (continued)

3.2 Accounting policies and significant judgements (continued)

a) Revenue from contracts with customers (continued)

The Group also provides repairs of landing gear and landing gear components. Landing gear overhaul is invoiced similarly to base maintenance, i.e. before the works start, the so called FIX is invoiced and additional work and materials are invoiced after the overhaul is finished. The repairs of landing gear components are carried out under a pre-agreed price for whole repair or according to the agreed price list of genuinely performed operations and consumed material. Billing takes place after the end of works and 30 day due period is usually applied. The Group also provides lease of spare landing gear sets for period when the original is repaired. The billing of lease takes place at the beginning of the lease period and is based on estimated time of lease. If the original time is exceeded, another invoice is issued. Usually, both revenues types have a maturity of 30 days.

As part of Continuing Airworthiness Management Organization (CAMO) services the Group performs activities for aircraft operators vital to ensure airworthiness of their aircraft. These mainly include drafting maintenance rules and preparation of data for the planning and monitoring of aircraft and aircraft components maintenance. Billing can take place as a monthly flat rate at the beginning of the month or at the end of the month when the customer's ad-hoc requirements are summarized. The 30 day maturity period is applied here too.

Revenues from all types of repairs and maintenance are realized in the month when the services was provided or material / goods sold. Performance obligations from provided services are satisfied overtime. The Group does not require any security to these receivables.

Handling, storage, aircraft fueling and sale of fuel

The group provides services of handling, storage and aircraft fueling. These services are provided also for the fuel that is owned by other fuel distributors.

Storage and manipulation services are valued at a fixed price per liter of fuel and the proceed from these services is reflected in the revenues in the month of service provision. Invoicing takes place on a monthly basis and 17-day maturity period is applied.

Aircraft fueling services are provided for fixed price per liter of transferred fuel and the proceed from these services is reflected in the revenues in the month of service provision. The service is invoiced twice per month and 21 day maturity is applied.

The Group also sells aviation fuel to the air carriers. The price of the fuel consists of the price stated by the commodity stock exchange in Rotterdam and mark-up, which is fixed for the contract period. The contract period is usually 1 year. The revenue from the sale is recognized when fuel is fed to the aircraft. Invoicing is done on weekly basis with maturity period between 7 and 30 days.

The Group does not have any secured receivables from the sale and handling of aviation fuel. Performance obligations from provided services are satisfied overtime.

Handling services

The Group provides ground services for airlines – among other passenger check-in, loading and unloading of luggage and other cargo (goods, mail), cleaning of the board interior, aircraft handling, call centrum services and in winter aircraft de-icing.

The contracts with customers are mostly set for a fixed period with the cooperation period from 1 to 3 years.

The prices are subject of contractual agreement or are stated by the fixed price list. The total revenue depends on the type of aircraft, the number of flights and range of the granted services or other service requirements.

Invoicing is usually done on weekly, decade and monthly basis with 30 day maturity period. The revenues from services rendered are realized within the month in which the service was provided. Performance obligations from provided services are satisfied overtime.

3. Revenue from contracts with customers and rental income (continued)

3.2 Accounting policies and significant judgements (continued)

a) Revenue from contracts with customers (continued)

Based on risk determination of individual carriers the Group requires security in form of advance.

Energy and utilities

The Group provides electricity, heat and water management services (water / sewerage and rainwater drainage). These services are mainly provided for tenants of Group properties.

In the case of electricity and heat, there are two ways determining the value of service – measured and flat.

Measured value originates from Group's price list (electricity - price of electricity and price of distribution; heat – price depends on actual previous year prices) and actually measured quantity consumed.

Another option is to determine the service value as a flat rate derived from the average market price and sqm of leased space.

Invoicing is usually performed on monthly basis and 17-day maturity is applied. The revenues are realized in the month when the medium was provided. Performance obligations from provided services are satisfied overtime.

Non-aeronautical services to passengers

Parking

The Group provides long-term and short-term parking for the public and its business partners (travel agencies, companies operating at Václav Havel Airport Prague and airlines). Part of the parking capacity is also rented to car rental companies.

Sale of parking to the public is performed through cash machines placed on individual car parks or via internet portal.

Business partners are billed on a monthly basis and 17-day maturity period is usually applied.

The price for parking is based on the price list set for the period. Prices take into account the place of parking and its time. Discounts are applied to bulk purchases. Parking revenues is recognized in the month of the parking. Performance obligations from provided services are satisfied at a point in time.

Lounges

The Group provides VIP airport lounges for passengers. Service/entrance to lounge can be bought by each passenger in their own accord or can be obtained through another service provider (most often as part of a business class ticket or as a holder of credit card entitling to use of the service).

Customers purchasing the entrance for their own use can buy the service through invoice or through direct sale (cash desk in lounge or internet portal).

The remaining part of the sales is done through re-invoicing to airlines and another business partner (usually banks, payment card providers or travel agencies). Invoicing is carried out on monthly basis and 17-day maturity period is applied. The entrance/service fee is fixed. Discounts are applied to bulk purchases according to the contract.

Revenue is recognized to the month of entry to lounge. Performance obligations from provided services are satisfied at a point in time. The Group does not have any secured receivables from the sale of lounge entrances.

3. Revenue from contracts with customers and rental income (continued)

3.2 Accounting policies and significant judgements (continued)

a) Revenue from contracts with customers (continued)

Operation of gastronomic establishment

The Group provides gastronomic services for its employees within staff catering, employees of business partners and also for passengers and visitors of the airport in its own gastronomic establishments. There are four gastronomic establishments all over the Václav Havel Airport Prague. The Group sells both own products and goods purchased from external suppliers.

The price for business partners is set in contract and are invoiced on monthly basis with maturity period between 17 and 30 days. The sale to the public is done at the cash desk in restaurant, where they have access.

Revenues are realized to the month when the food is sold. Performance obligations from provided services are satisfied at a point in time. The Group does not have any secured receivables from the sale of food.

Other

Other revenues include mainly by sale of car fuel, taxi services arranging, revenues from telecommunication services and other services.

b) Rental income

Commercial rent of premises, land and advertising space

The Group offers in its premises possibility of rent to its business partners. The largest part of the rental income is generated by lease of retail space (shops, restaurants, etc.). Other significant sources of revenues are leases of advertising space, land, office and technological premises.

The value of the lease of retail space usually consists of two parts – basic fixed rent and variable part of the rent. The price of rent is annually indexed by inflation.

The amount of fixed rent is paid according to the installment calendar and is due by 5th calendar day of the month to which the rent relates. Variable rent is usually invoiced monthly and is due on 25th day of the calendar month following the calendar month in which the claim to the rent occurred.

The Group requests from tenants of retail spaces provision of a security deposit or bank guarantee in amount of three monthly rent payments to cover potentially unpaid receivables.

Rental of advertising space is invoiced on quarterly basis with 17-day maturity. The price is set as fixed and is annually indexed by inflation.

Quarterly land rental payments are based on an installment calendar or invoices that typically have 17-day maturity from the date of issue. Fixed and variable part of rent is also applied for lease of land.

Rent of offices, administrative and technological buildings is invoiced every month and 17-day maturity period is applied. Rent is set as fixed with annual inflation indexation. The Group requests from tenants provision of a security deposit or bank guarantee in amount of three monthly rent payments to cover potentially unpaid receivables.

All revenues from lease are realized in the month in which the provision of service occurred.

3. Revenue from contracts with customers and rental income (continued)

3.2 Accounting policies and significant judgements (continued)

b) Rental income (continued)

Aircraft lease

The Group leases 6 aircraft Airbus A319 to airline. The rent consists of basic rent for usage and so called maintenance reserve which represents increased rent used to cover the increased costs of replacing the worn out aircraft components. The basic rent is invoice quarterly in advance and issued invoice has usually 60-day maturity period. The so called maintenance reserve is invoiced monthly with 15 day maturity period. The price for both parts of rent is fixed. Sales are recognized as at the date the services are rendered.

3.3 Assets and liabilities related to contracts with customers

The group has recognised the following assets and liabilities related to contracts with customers:

CZK'000	31 December 2018	1 January 2018
Current contract assets relating to aircraft maintenance and overhauls	51,235	80,692
Loss allowance	(22,622)	-
Total contract assets	28,613	80,692
Contract liabilities – aeronautical liabilities	21,715	17,993
Contract liabilities – parking	2,604	2,929
Contract liabilities – sale of aircraft deposit	8,278	-
Contract liabilities – other	351	621
Total current contract liabilities	32,948	21,543
Refund liabilities	232,262	70,437
Total liabilities	265,210	91,980

Contract assets relating to aircraft maintenance and overhauls are un-finished aircraft repairs. The amount as at 1 January 2018 and as at 31 December 2018 depends on the number of un-finished aircraft repairs at the end of the year and is influenced by the ordinary business activities of the Group.

The main reason for the change of contract liabilities is the deposit from the buyer of aircrafts in the amount of CZK 8,278 thousand as at 31 December 2018. Other changes of contract liabilities between 1 January 2018 and 31 December 2018 are influenced only by the ordinary business activities of the Group.

The main reason for the increase of the refund liabilities between 1 January 2018 and 31 December 2018 was the change in design of incentive programme for the year 2018 and increase of the number of the passengers in 2018.

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

CZK'000	2018
Revenue recognised that was included in the contract liability balance at the beginning of the period	
Contract liabilities – aeronautical liabilities	17,993
Contract liabilities – parking	2,929
Contract liabilities – other	621

The Group does not have any revenue related to performance obligations that were satisfied in a prior year.

4. Raw material, merchandise and energy

The breakdown of the 2018 and 2017 raw material, merchandise and energy expenses is as follows:

CZK'000	2018	2017
Cost of aviation fuel sold	658,778	855,027
Aircraft material consumption and merchandise costs	392,670	379,430
Other material consumed and merchandise costs	324,154	290,218
Energy consumption	234,689	215,257
Total	1,610,291	1,739,932

Other material consumption and merchandise costs primarily consist of the cost of defrost devices for the airport area, spare parts, the cost of gasoline sold.

The consumption of energy mainly includes the consumption of electricity, gas and water.

5. Repairs and maintenance services

CZK'000	2018	2017
Aircraft and rotables repairs and maintenance	159,815	158,017
Other repairs and maintenance	133,075	134,621
Total	292,890	292,638

Other repairs and maintenance represent mainly repairs and maintenance of runways, taxiways, terminals and technical equipment.

6. Other services

Services can be analysed as follows:

CZK'000	2018	2017
IT and related services	144,632	136,489
Marketing, advertising, promotion	157,030	160,987
Cleaning services	69,903	67,128
Consultation and expert services	31,001	22,040
Transport services and postage	35,832	26,214
Environmental services	20,208	19,825
Subcontractors on aircraft repairs and maintenance work	21,661	11,456
Training	27,839	23,649
Technical maintenance costs	21,942	19,026
Handling services	13,356	16,432
Services for passengers	38,052	30,039
Rotables operating leases	17,006	7,507
Rental expenses and other operating leasing	10,274	10,707
Waste disposal	12,158	11,592
Weather forecasts	8,517	7,939
Medical services	17,151	15,361
Travel expenses	13,795	10,522
Agency workers	81,667	76,209
Other services	97,310	81,649
Total	839,334	754,771

7. Employee benefits

Employee benefits can be analysed as follows:

CZK'000	Total	Out of which:	Total	Out of which:
	2018	Management	2017	Management
Wages and salaries	2,263,783	54,658	1,950,714	58,689
Social security and health costs	287,191	5,882	250,113	5,670
Defined contribution pension cost	506,482	6,501	439,763	2,291
Jubilee benefits	3,588	-	7,565	-
Other employee benefits	67,552	-	59,313	-
Total	3,128,596	67,041	2,707,468	66,650

Defined contribution pension cost mainly includes obligatory legal pension insurance paid to the state.

Management include members of the statutory body of the key companies of the Group.

Average recalculated number of employees of the Group in 2018 and 2017 was 3,937 persons and 3,703 persons.

Company cars are made available for private use by the Board of Directors of the Group on a contractual basis. The members of the Board of Directors are provided with meal allowances, pension insurance, accident insurance and professional indemnity insurance.

8. Impairment of aircraft

Impairment of aircraft Airbus 319

In 2018 and 2017, the Group considered the value of aircraft and identified the indicators for impairment. Consequently, the impairment analysis was based on the fair value approach.

In 2018 the basis for the analysis of the aircraft impairment was the selling price offered by the aircraft buyer. This price was confirmed by the selling contracts signed in 2019.

In 2017 the basis for the examination of the aircraft market values was the database AVAC (The Aircraft Value Analysis Company), which is specialist for the market values of the aircraft and the aircraft technologies. The aircraft values obtained from the AVAC database using a half-life convention were further adjusted to reflect the actual age of the main aircraft components. The value was further adjusted based on information obtained from the selling process of similar aircraft.

The recoverable amount of the aircraft is CZK 1,425,540 thousand and CZK 1,187,501 thousand as at 31 December 2018 and as at 31 December 2017, respectively. Level 3 is used for fair value assessment. In 2018 and 2017 the Group recognized impairment of aircraft in the amounts of CZK (256,076) thousand (reverse of impairment) and CZK 136,864 thousand, respectively (increase of impairment).

9. Other operating income

Other operating income can be analysed as follows:

CZK'000	2018	2017
Net gain from disposal of property, plant and equipment	34,409	26,521
Net gain from sale of inventories	7,013	20,652
Penalisation	12,392	7,631
Proceedings from insurance companies	3,174	2,408
Changes in allowances of receivables including write-off	-	9,429
Other	43,332	47,437
Total	100,320	114,078

10. Other operating expenses

Other operating expenses can be analysed as follows:

CZK'000	2018	2017
Insurance premium costs	59,448	66,161
Contributions to municipalities and gifts	47,331	42,716
Impairment charges		
rotables	2,459	1,390
property, plant and equipment	1,531	3,466
intangible assets	1,395	-
Penalisation (including disable worker penalty)	13,966	7,295
Other	28,279	19,505
Total	154,409	140,533

The Contributions to municipalities and gifts were especially granted to the municipalities affected by the operations of Václav Havel Airport Prague pursuant to a framework agreement.

11. Financial income and expenses

The breakdown of the 2018 and 2017 financial income and expenses is as follows:

CZK'000	2018	2017
Bank and other interest income	8,670	1,299
Other financial income	-	1
Interest and other financial income	8,670	1,300
Interest expense on bank loan	2,426	5,383
Lease interest *)	14,322	64,760
Interest expense on bonds	11,482	21,459
Total interest expense	28,230	91,602
Other financial expenses and revenues	4,259	3,281
Interest and other financial expenses	32,489	94,883

*) In 2018 new standard IFRS 16 Leases is adopted, for more information, please see note 2.5 and 22.

12. Income tax

Income tax expenses of the 2018 and 2017 can be analysed as follows:

CZK'000	2018	2017
Current income tax charge	747,239	708,028
Deferred income tax income	(43,569)	(11,117)
Adjustments in respect of current income tax of previous periods	6,979	2,331
Income tax from additional tax assessment	(161)	-
Income tax expense recognised in the income statement	710,488	699,242

12. Income tax (continued)

Reconciliation of income tax expenses applicable to profit before income tax from continuing operations at the statutory income tax rate to income tax expenses at the Group's effective income tax rate for the years 2018 and 2017 is as follows:

CZK'000	2018	2017
Profit before income tax	4,020,410	3,677,097
Statutory income tax rate	19%	19%
Expected income tax expense (income) using statutory income tax rates	763,878	698,649
Expected income tax expense (income) using statutory income tax rates	30,057	29,443
Tax effect of expenses that are not deductible in determining taxable profit	(19,892)	(19,287)
Change of unrecognised deferred tax asset	(70,373)	(11,429)
Adjustments in respect of current income tax of previous periods	6,818	2,331
Tax discount	-	(465)
Income tax expense	710,488	699,242
Effective tax rate	17.7%	19.0%

The current income tax liability:

CZK'000	2018	2017
As at 1 January	(88,635)	(169,907)
Adjustment of current income tax in relation to prior periods based on filed corporate income tax return	(6,979)	(2,331)
Additional tax assessment	161	-
Paid income tax of prior periods	136,537	213,401
Withholding tax liability	-	12
Paid advances for income tax	644,207	578,218
Current income tax charge for the year	(731,896)	(708,028)
As at 31 December	(46,605)	(88,635)

The current income tax asset:

CZK'000	2018	2017
As at 1 January	42,098	-
Paid income tax of prior periods	(42,098)	-
Paid advances for income tax	61,931	42,098
Current income tax charge for the year	(15,344)	-
As at 31 December	46,587	42,098

Deferred income tax assets and liabilities are offset in the balance sheet when there is a legally enforceable right to offset the current tax assets against current tax liabilities, and when the deferred income taxes relate to the same fiscal authority.

12. Income tax (continued)

The deferred tax asset and the deferred tax liability as at 31 December 2018 and 31 December 2017 can be analysed as follows:

CZK'000	31 December 2018	31 December 2017
Deferred tax to be realized within 12 months	(42,911)	(49,590)
Deferred tax to be realized after more than 12 months	(399,730)	(430,903)
Deferred tax liability	(442,641)	(480,493)
Deferred tax to be realized within 12 months	3,565	3,330
Deferred tax to be realized after more than 12 months	36,124	29,533
Deferred tax asset	39,689	32,863

The deferred tax liability and asset as at 31 December 2018 are calculated at 19% (the rate enacted for and after 2019). The deferred tax liability and asset as at 31 December 2017 were calculated at 19% (the rate enacted for and after 2018).

The change in deferred tax assets and liabilities during the year is as follows:

Deferred tax liabilities

CZK'000	Difference between tax and book value of fixed assets	Amortisation of borrowings	Derivatives	Other	Total
As at 1 January 2017	(607,483)	(66)	-	-	(607,549)
Credited to the income statement	26,866	27	-	-	26,893
Credited do equity	-	-	(1,102)	-	(1,102)
As at 31 December 2017	(580,617)	(39)	(1,102)	-	(581,758)
Credited to the income statement	40,318	27	-	(1,433)	38,912
Credited do equity	-	-	1,102	-	1,102
As at 31 December 2018	(540,299)	(12)	-	(1,433)	(541,744)
Offsetting					99,103
As at 31 December 2018 in balance sheet					(442,641)

Deferred tax assets

CZK'000	Valuation allowances and impairments	Provisions	Employee benefits	Derivatives	Other	Total
As at 1 January 2017	116,182	9,196	3,702	-	20,824	149,904
Credited/(Debited) to the income statement	(11,216)	(3,457)	1,225	-	(2,328)	(15,776)
As at 31 December 2017	104,966	5,739	4,927	-	18,496	134,128
Credited/(Debited) to the income statement	1,748	383	9	-	2,517	4,657
Credited do equity	-	-	-	7	-	7
As at 31 December 2018	106,714	6,122	4,936	7	21,013	138,792
Offsetting						(99,103)
As at 31 December 2018 in balance sheet						39,689

12. Income tax (continued)

Unrecognised deferred tax asset

CZK'000	31 December 2018	31 December 2017
Difference between tax and book value of fixed assets	(75,092)	(52,343)
Impairment	90,797	139,451
Provisions	1,030	-
Deferred tax asset	16,735	87,108

Unrecognised deferred tax asset was incurred by a subsidiary that is not likely to generate taxable income in the foreseeable future.

13. Property, plant and equipment

Cost CZK'000	Land	Constructions and runways	Machinery and equipment	Vehicles, fixtures and fittings and other tangibles	Aircraft	Construction in progress	Total
As at 1 January 2018 originally	16,144,251	25,845,059	5,606,108	1,648,721	3,377,130	725,264	53,346,533
IFRS 16 impact **)	(649,465)	-	-	-	-	-	(649,465)
As at 1 January 2018 restated	15,494,786	25,845,059	5,606,108	1,648,721	3,377,130	725,264	52,697,068
Additions *)	5,908	643,357	377,586	188,422	283,794	536,787	2,035,854
Transfers IAS 16 and 40	(3,357)	23,055	-	-	-	-	19,698
Transfers	-	-	3,833	(3,833)	-	-	-
Disposals	-	(46,913)	(150,184)	(103,893)	(173,797)	(365)	(475,152)
As at 31 December 2018	15,497,337	26,464,558	5,837,343	1,729,417	3,487,127	1,261,686	54,277,468

*) Additions also include transfers between Construction in progress and individual items of property, plant and equipment.

***) Impact of transfer of the value of leased land to the item Lease assets.

Accumulated depreciation and impairment CZK'000	Land	Constructions and runways	Machinery and equipment	Vehicles, fixtures and fittings and other tangibles	Aircraft	Construction in progress	Total
As at 1 January 2018	-	(15,388,780)	(4,350,168)	(1,136,441)	(2,189,629)	-	(23,065,018)
Additions	-	(917,101)	(295,186)	(118,849)	(301,831)	-	(1,632,967)
Transfers IAS 16 and 40	-	(14,527)	-	-	-	-	(14,527)
Transfers	-	(1,858)	(10)	1,868	-	-	-
Disposals	-	46,913	150,184	103,893	173,797	-	474,787
Change in impairment	-	-	(3,423)	-	256,076	(568)	252,085
As at 31 December 2018	-	(16,275,353)	(4,498,603)	(1,149,529)	(2,061,587)	(568)	(23,985,640)

The additions of accumulated depreciation include in particular the current year depreciation in the amount of CZK 1,608,007 thousand.

13. Property, plant and equipment (continued)

Cost CZK'000	Land	Constructions and runways	Machinery and equipment	Vehicles, fixtures and fittings and other tangibles	Aircraft	Construction in progress	Total
As at 1 January 2017	16,136,858	25,341,595	5,531,412	1,509,774	3,290,265	607,695	52,417,599
Additions *)	2,855	592,321	208,306	187,078	187,609	118,709	1,296,878
Transfers IAS 16 and 40	4,756	76,514	-	-	-	-	81,270
Disposals	(218)	(165,371)	(133,610)	(48,131)	(100,744)	(1,140)	(449,214)
As at 31 December 2017	16,144,251	25,845,059	5,606,108	1,648,721	3,377,130	725,264	53,346,533

*) Additions also include transfers between Construction in progress and individual items of property, plant and equipment.

Accumulated depreciation and impairment CZK'000	Land	Constructions and runways	Machinery and equipment	Vehicles, fixtures and fittings and other tangibles	Aircraft	Construction in progress	Total
As at 1 January 2017	-	(14,523,007)	(4,185,396)	(1,082,361)	(1,927,262)	-	(21,718,026)
Additions	-	(953,999)	(293,787)	(102,211)	(226,247)	-	(1,576,244)
Transfers IAS 16 and 40	-	(77,145)	-	-	-	-	(77,145)
Disposals	-	165,371	133,610	48,131	100,744	-	447,856
Change in impairment	-	-	(4,595)	-	(136,864)	-	(141,459)
As at 31 December 2017	-	(15,388,780)	(4,350,168)	(1,136,441)	(2,189,629)	-	(23,065,018)

The additions of accumulated depreciation include in particular the current year depreciation in the amount of CZK 1,556,650 thousand.

Carrying amounts CZK'000	Land	Constructions and runways	Machinery and equipment	Vehicles, fixtures and fittings and other tangibles	Aircraft	Construction in progress	Total
As at 1 January 2017	16,136,858	10,818,588	1,346,016	427,413	1,363,003	607,695	30,699,573
As at 31 December 2017	16,144,251	10,456,279	1,255,940	512,280	1,187,501	725,264	30,281,515
IFRS 16 impact	(649,465)	-	-	-	-	-	(649,465)
As at 1 January 2018 restated	15,494,786	10,456,279	1,255,940	512,280	1,187,501	725,264	29,632,050
As at 31 December 2018	15,497,337	10,189,205	1,338,740	579,888	1,425,540	1,261,118	30,291,828

As at 31 December 2018 and as at 31 December 2017, part of the land recognised in the balance sheet was encumbered by easements. The easements relate only to a relatively negligible area of the land involved (assessed by management as below 1% of the total area). The easements relate mainly to enabling the maintenance of standard utilities and communication networks.

Aircraft

The Group's fleet at the year-end includes 6 aircraft A319-100 aircraft in B.Aircraft, a.s.

Leases

The Group leases the land. In 2017 these land was classified as the finance leases. The carrying amounts of the land under the finance leases aircraft is CZK 649,465 thousand as at 31 December 2017.

As at 1 January 2018 the land was reclassified according to IFRS 16 Leases to Lease assets (right-of-use assets).

13. Property, plant and equipment (continued)

Cost CZK'000	Lease assets
As at 1 January 2018 originally	-
IFRS 16 impact	1,768,181
As at 1 January 2018 restated	1,768,181
As at 31 December 2018	1,768,181

Accumulated depreciation and impairment CZK'000	Lease assets
As at 1 January 2018	-
Additions	(58,940)
As at 31 December 2018	(58,940)

The additions of accumulated depreciation include the current year depreciation in the amount of CZK 58 940 thousand.

Carrying amounts CZK'000	Lease assets
As at 1 January 2018 originally	-
IFRS 16 impact	1,768,181
As at 1 January 2018 restated	1,768,181
As at 31 December 2018	1,709,241

For further details, see note 22.

14. Investment properties

Cost CZK'000	Land	Buildings	Total
As at 1 January 2018	1,865,701	601,067	2,466,768
Additions	-	256	256
Transfer from Property, plant and equipment	14,374	625	14,999
Transfer to Property, plant and equipment	(11,017)	(23,680)	(34,697)
Disposals	-	(985)	(985)
As at 31 December 2018	1,869,058	577,283	2,446,341

Accumulated depreciation and impairment CZK'000	Land	Buildings	Total
As at 1 January 2018	-	(448,122)	(448,122)
Additions	-	(16,664)	(16,664)
Transfer from Property, plant and equipment	-	(279)	(279)
Transfer to Property, plant and equipment	-	14,806	14,806
Disposals	-	985	985
As at 31 December 2018	-	(449,274)	(449,274)

The additions of accumulated depreciation in 2018 include the current year's depreciation in the amount of CZK 16,664 thousand.

14. Investment properties (continued)

Cost CZK'000	Land	Buildings	Total
As at 1 January 2017	1,870,718	677,280	2,547,998
Additions	-	301	301
Transfer from Property, plant and equipment	1,839	9,051	10,890
Transfer to Property, plant and equipment	(6,595)	(85,565)	(92,160)
Disposals	(261)	0	(261)
As at 31 December 2017	1,865,701	601,067	2,466,768

Accumulated depreciation and impairment CZK'000	Land	Buildings	Total
As at 1 January 2017	-	(501,896)	(501,896)
Additions	-	(23,371)	(23,371)
Transfer from Property, plant and equipment	-	(4,326)	(4,326)
Transfer to Property, plant and equipment	-	81,471	81,471
As at 31 December 2017	-	(448,122)	(448,122)

The additions of accumulated depreciation in 2017 include the current year's depreciation in the amount of CZK 23,371 thousand.

Carrying amounts CZK'000	Land	Buildings	Total
As at 1 January 2017	1,870,718	175,384	2,046,102
As at 31 December 2017	1,865,701	152,945	2,018,646
As at 31 December 2018	1,869,058	128,009	1,997,067

The fair market value of the land classified as investment property, for major land determined by an independent appraisal, as at 31 December 2018 and as at 31 December 2017 amounted to CZK 2,540,179 thousand and CZK 2,528,344 thousand, respectively. The valuation model was based on the higher value from the income method of valuation (discounted future rents) and the market comparison method valuation. In the income method (discounted future rent) the appraiser used a discount rate varying from 5% to 9%.

The fair value of the buildings classified as investment property, for major buildings determined by an independent appraisal, as at 31 December 2018 and 2017 amounted to CZK 197 759 thousand and CZK 210,255 thousand, respectively. For valuation the appraisal used the income method of valuation (discounted cash flow) or the capitalization of net income model. In the model, the appraiser used a discount rate 6.5% and 7.5%.

Level 3 is used for fair value assessment.

Details of the relevant investment property income statement items are as follows:

CZK'000	Land		Buildings	
	2018	2017	2018	2017
Rental income from investment property	59,675	55,090	30,935	27,433
Direct operating expenses	626	671	10,341	11,200

15. Intangible assets and goodwill

Cost CZK'000	Software and other intangibles	Goodwill	Customers relationships, certificates, trademarks	Intangibles in progress	Total
As at 1 January 2018	889,541	11,084	396,408	11,551	1,308,584
Additions *)	80,617	-	-	3,787	84,404
Disposals	(2,317)	-	-	-	(2,317)
As at 31 December 2018	967,841	11,084	396,408	15,338	1,390,671

*) Additions also include transfers between Construction in progress and individual items of intangible assets

Accumulated amortization CZK'000	Software and other intangibles	Goodwill	Customers relationships, certificates, trademarks	Intangibles in progress	Total
As at 1 January 2018	(740,877)	-	(223,976)	-	(964,853)
Additions	(64,096)	-	(11,566)	-	(75,662)
Disposals	831	-	-	-	831
Change in impairment	-	-	(1,380)	(15)	(1,395)
As at 31 December 2018	(804,142)	-	(236,922)	(15)	(1,041,079)

The additions of accumulated amortization in 2018 include in particular the current year's amortization in the amount of CZK 75,662 thousand.

Cost CZK'000	Software and other intangibles	Goodwill	Customers relationships, certificates, trademarks	Intangibles in progress	Total
As at 1 January 2017	831,427	11,084	396,408	12,421	1,251,340
Additions *)	59,799	-	-	(824)	58,975
Disposals	(1,685)	-	-	(46)	(1,731)
As at 31 December 2017	889,541	11,084	396,408	11,551	1,308,584

*) Additions also include transfers between Construction in progress and individual items of intangible assets

Accumulated amortization CZK'000	Software and other intangibles	Goodwill	Customers relationships, certificates, trademarks	Intangibles in progress	Total
As at 1 January 2017	(684,993)	-	(212,410)	-	(897,403)
Additions	(55,674)	-	(11,566)	-	(67,240)
Disposals	51	-	-	-	51
Change in impairment	(261)	-	-	-	(261)
As at 31 December 2017	(740,877)	-	(223,976)	-	(964,853)

The additions of accumulated amortization in 2017 include in particular the current year's amortization in the amount of CZK 67,240 thousand.

The item Customers relationships, certificates, trademarks includes also trademarks in the carrying amounts of CZK 57,325 thousand and CZK 58,705 thousand as at 31 December 2018 and 2017, respectively.

15. Intangible assets and goodwill (continued)

Carrying amounts CZK'000	Software and other intangibles	Goodwill	Customers relationships, certificates, trademarks	Intangibles in progress	Total
As at 1 January 2017	146,434	11,084	183,998	12,421	353,937
As at 31 December 2017	148,664	11,084	172,432	11,551	343,731
As at 31 December 2018	163,699	11,084	159,486	15,323	349,592

16. Inventories

As at 31 December 2018 and as at 31 December 2017, inventories consist of the following:

CZK'000	31 December 2018	31 December 2017
Raw materials and other supplies	293,269	262,738
Finished goods, at cost	13,291	26,129
Advances granted for inventory	1,186	4,377
Livestock, at cost	788	742
Total inventory (net)	308,534	293,986

Excess, obsolete and slow-moving inventory has been written down to its estimated net realisable value by an allowance account. The allowance is determined by the management based on inventory turnover and its expected future utilisation. The amount of allowances for obsolete inventory recognised as expense / (income) in 2018 and 2017 totalled CZK (1,836) thousand and CZK (7,706) thousand, respectively. The creation of an allowance for obsolete inventory has been included in the Other operating expenses line in the income statement. The release of the allowance for obsolete inventory is included in the Other operating income line in the income statement.

17. Trade and other receivables

As at 31 December 2018 and as at 31 December 2017, trade and other receivables consist of the following:

CZK'000	31 December 2018	1 January 2018	IFRS 15 impact	31 December 2017
Trade accounts receivable *)	1,357,584	1,401,113	(31,341)	1,432,454
Contract assets **)	51,235	80,692	80,692	
Unbilled revenue *)	146,143	46,385	(49,351)	95,736
Receivables from tax authority **)	41,240	35,326	-	35,326
Derivatives *)	1,091	5,491	-	5,491
Other receivables **)	53,412	38,062	-	38,062
Less allowance for bad debts (relates to Trade accounts receivable)	(124,604)	(130,411)	-	(130,411)
Less allowance for bad debts (relates to Unbilled revenue)	(3,743)	-	-	-
Less allowance for bad debts (relates to Contract assets)	(22,622)	-	-	-
Less allowance for bad debts (relates to Receivables from tax authority and Other)	(2,752)	(189)	-	(189)
Total trade and other receivables (net)	1,496,984	1,476,469	-	1,476,469

*) Financial assets

***) Non-financial assets

17. Trade and other receivables (continued)

Trade accounts receivable are non-interest bearing and are generally on 14-17-day credit (domestic invoices) and 30-day credit (foreign invoices) terms.

Receivables from the tax authority as at 31 December 2018 and as at 31 December 2017 consist in particular of a VAT receivable in the amount of CZK 41,240 thousand and CZK 35,326 thousand, respectively.

18. Prepayments and other current assets

Prepayments and other current assets mainly consist of rent prepayments, insurance prepayments, prepayments of IT and computer services and prepayments of other services and professional press subscriptions.

19. Cash and cash equivalents

As at 31 December 2018 and as at 31 December 2017, cash and cash equivalents consist of the following:

CZK'000	31 December 2018	31 December 2017
Cash at bank - net	3,968,560	2,698,873
Cash on hand	3,056	4,484
Cash in transit	2,125	2,290
Liquid valuables	-	1,532
Total cash and cash equivalents	3,973,741	2,707,179

Cash at the bank earns interest at floating rates.

Reconciliation to the statement of cash flow:

CZK'000	31 December 2018	31 December 2017
Total cash and cash equivalents	3,973,741	2,707,179
Impairment to cash	2,870	-
Cash and cash equivalents in the statement of cash flows	3,976,611	2,707,179

20. Shareholder's equity

The information regarding the merger are stated in the note 1.

The issued capital is an amount registered in the commercial register. The total authorised number of ordinary shares of parent company Letiště Praha, a. s. as at 31 December 2018 is 25,122,271 with a par value of CZK 0.1 thousand per share. The total authorised number of ordinary shares of parent company Český Aeroholding, a.s. as at 31 December 2017 was 64,238 with a par value of CZK 421 thousand per share.

The shareholder shall be entitled to a share of the Company's profit (a dividend). The shareholder shall have a right to vote at the general meeting based on the nominal value of its shares, where each CZK 100 of the nominal value of the share represents one vote. The shareholder is entitled to attend the general meeting, cast his vote there, ask for and receive an explanation of matters relating to the Company or entities controlled by the Company, if such an explanation is necessary for the assessment of the subject of discussions at the general meeting. Furthermore, the shareholder is entitled to put forth proposals and counterproposals, when based on a law, to the issues on the agenda of the general meeting. The shareholder has the pre-emptive right to subscribe to a part of new Company shares subscribed in order to increase the registered capital at the extent of his ratio in the Company registered capital, if the issuing price of shares shall be paid with monetary deposits. This right may be restricted or ruled out only by the decision of the general meeting and solely in the important interests of the Company. A shareholder may request from the Board of Directors a copy of the minutes of a General Meeting or a part thereof for the entire existence of the Company. In the case of winding up the Company with liquidation the shareholder shall be entitled to a share in the liquidation balance. A sole shareholder is entitled to receive all meetings' minutes of any body of the Company immediately after such minutes were approved, receive in a reasonable period response from anybody of the Company to shareholders' inquiries and inspect all documents of the Company.

20. Shareholder's equity (continued)

Other reserves

CZK'000	31 December 2018	31 December 2017
Other capital contributions	24,531,971	-
Foreign currency derivatives - cash flow hedge	(37)	5,799
Deferred tax	7	(1,102)
Other	9,103	8,926
Total	24,541,044	13,623

Other capital contributions incurred in connection with the merger.

The following table shows a breakdown of the balance sheet line item other reserves and the movements in these reserves during the year. A description of the nature and purpose of each reserve is provided below the table.

CZK'000	Other capital contributions	Cash flow hedge	Financial assets at FVOCI	Other	Total other reserves
As at 1 January 2017	-	-	778	8,699	9,477
Revaluation – gross	-	5,799	-	-	5,799
Deferred tax	-	(1,102)	-	-	(1,102)
Other comprehensive income	-	4,697	-	-	4,697
Other	-	-	-	(551)	(551)
Transactions with owners	-	-	-	(551)	(551)
As at 31 December 2017	-	4,697	778	8,148	13,623
Revaluation - gross	-	(746)	149	-	(597)
Reclassification to profit or loss - gross	-	(5,090)	-	-	(5,090)
Deferred tax	-	1,109	-	-	1,109
Other comprehensive income	-	(4,727)	149	-	(4,578)
Merger impact	24,531,971	-	-	-	24,531,971
Other	-	-	-	28	28
Transactions with owners	24,531,971	-	-	28	24,531,999
As at 31 December 2018	24,531,971	(30)	927	8,176	24,541,044

21. Interest-bearing loans and borrowings

As at 31 December 2018 and as at 31 December 2017, the Group had the following interest bearing borrowings:

CZK'000	Maturity	31 December 2018	31 December 2017
Bank loan (gross amount, the loan is denominated in CZK)	15 June 2019	714,286	2,142,857
Transaction costs		(500)	(500)
Accrued transaction costs		436	294
Interest due		51	172
Bank loan (net amount)		714,273	2,142,823
Less current part of bank loan		(714,273)	(1,428,744)
Non-current part of bank loan		-	714,079
Issued Bonds, CZ0003501702	10 June 2020	255,258	254,244
Issued Bonds		255,258	254,244
Less current part of Issued Bonds		(6,805)	(6,805)
Non-current part of Issued Bonds		248,453	247,439
Total current interest-bearing loans and borrowing		721,078	1,435,549
Total non-current interest-bearing loans and borrowing		248,453	961,518
Total interest-bearing borrowings		969,531	2,397,067

Bank loan

The Company has a bank loan from Komerční banka, a.s. This bank loan has a fixed interest rate which is derived from the Company's rating. The interest rate equalled 0.22% p.a. until 15 June 2017, when the Company's rating was upgraded and as a result the interest rate decreased to 0.17% p.a. The loan is not secured.

Under the terms of the loan agreement, the Company is obliged to keep the ratio of bank loans over equity at the maximum amount of 0.6. The Company is also obliged to maintain its investment rating. Both conditions were fulfilled by the Company in 2018 and 2017.

The repayment of the loan is in fixed regular quarterly instalments. The final maturity of the loan was set on 15 June 2019.

Overview of the bank loan as at 31 December 2018:

As at 31 December 2018	Principal amount at drawdown CZK'000	The actual interest rate Type of rate *)	Rate valid until	Outstanding amount of principal CZK'000
Bank loan	5,000,000	0.170% fix	*)	714,286

*) The fixed rate can be changed only in the case of the change of the Company rating.

Overview of the bank loan as at 31 December 2017:

As at 31 December 2017	Principal amount at drawdown CZK'000	The actual interest rate Type of rate *)	Rate valid until	Outstanding amount of principal CZK'000
Bank loan	5,000,000	0.170% fix	*)	2,142,857

*) The fixed rate can be changed only in the case of the change of the Company rating.

21. Interest-bearing loans and borrowings (continued)

Future repayments of the bank loan as at 31 December 2018 are as follows:

CZK'000	Un-discounted	Discounted (fair value)
Cash flow from future payments	714,738	705,676

Future repayments of the bank loan as at 31 December 2017 are as follows:

CZK'000	Un-discounted	Discounted (fair value)
Cash flow from future payments	2,146,090	2,129,843

The fair value of the bank loan is calculated as the net present value of future payments. The net present value is calculated using the interest rate curve for the appropriate time period.

In 2018 and 2017, the interest and other charges related to the bank loans were CZK 2,802 thousand and CZK 5,619 thousand, respectively, of which CZK 376 thousand and CZK 236 thousand were capitalised as part of construction of tangible non-current assets.

Bonds

On 17 December 2009 the Czech National Bank approved the Bond Programme, which allowed to issue bonds up to the total unpaid volume of CZK 15,000,000 thousand within a period of ten years.

On 31 March 2012, the Czech National Bank approved a ten-years Bond Programme in the total volume of up to CZK 10,000,000 thousand and for a period of ten years.

In 2018 and 2017, the interest and other costs related to the Bond Programme were CZK 13,264 thousand and CZK 22,403 thousand respectively, of which CZK 1,782 thousand and CZK 944 thousand were capitalized as part of construction of tangible non-current assets.

The fair value of the issued bonds as at 31 December 2018:

CZK'000	Book value	Fair value
Issued Bonds, CZ0003501702 (4.9%, 2020)	255,258	261,250

The fair value of the issued bonds as at 31 December 2017:

CZK'000	Book value	Fair value
Issued Bonds, CZ0003501702 (4.9%, 2020)	254,244	272,500

21. Interest-bearing loans and borrowings (continued)

Net debt reconciliation

The table below sets out an analysis of net debt and the movements in the Group's liabilities from financing activities for each of the periods presented. The items of these liabilities are those that are reported as financing activity in the statement of cash flows.

CZK'000	Assets		Liabilities		Total
	Cash	Borrowings	Bonds	Leases	
Net debt as at 1 January 2017	4,600,769	(3,571,451)	(1,012,962)	(650,216)	(633,860)
Interest expense	-	(5,383)	(21,459)	(64,760)	(91,602)
Interest paid	-	5,439	48,777	64,646	118,862
Cash flows	(1,893,590)	1,428,572	731,400	-	266,382
Net debt as at 31 December 2017	2,707,179	(2,142,823)	(254,244)	(650,330)	(340,218)
IFRS 16 impact	-	-	-	(1,118,716)	(1,118,716)
Net debt as at 1 January 2018	2,707,179	(2,142,823)	(254,244)	(1,769,046)	(1,458,934)
Interest expense	-	(2,425)	(11,483)	(14,322)	(28,230)
Interest paid	-	2,403	10,469	14,322	27,194
Cash flows	1,269,432	1,428,572	-	52,089	2,750,093
Net debt as at 31 December 2018	3,976,611	(714,273)	(255,258)	(1,716,957)	1,290,123

22. Lease liabilities

The lease liability relates to the land rented to the Group by Správa Letiště Praha, s.p. and to the land returned in the restitution claim to the owner.

In 2017 this liability was not amortized because it is expected that the future purchase price will have been the same or higher when compared to the recognized liability. Currently, it was not possible to reliably determine the time and the value of the future purchase of the land, the whole amount of the rent payment was considered to be the leasing interest in the whole amount. The leasing interest is recognised in Other financial expenses (see Note 11). Current portion of lease liability as at 31 December 2017 are in the amount of CZK 865 thousand. Non-current portion of lease liabilities as at 31 December 2017 are in the amount of CZK 649,465 thousand.

In 2018 the Group adopted standard IFRS 16 Leasing. As explained in not 2.1 a) above, the Group has adopted IFRS 16 Leasing retrospectively from 1 January 2018, but has not restated comparatives for the 2017 reporting period as permitted under the specific transition provisions in the standards.

On adoption of IFRS 16, the Group recognized lease liabilities in relation to leases which had previously been classified as "finance leases" under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate as at 1 January 2018 which was 0.81 %. The land is leased for indefinite period (it is land under the runway). The model uses for discounting 30 years as a minimum expected time of the airport existence.

CZK'000	Lease liability calculation
Finance lease liabilities recognised as at 31 December 2017	650,330
Minimum annual rent	66,627
Lease commitments as at 31 December 2017 (30 years)	1,998,823
Discounted value using the Group's incremental borrowing rate of 0.81 %	1,768,181
Amounts unpaid as at 31 December 2017 (shown under current liabilities)	865
Lease liability recognised as at 1 January 2018	1,769,046

Current portion of lease liability as at 31 December 2018 is in the amount of CZK 53,811 thousand. Non-current portion of lease liabilities as at 31 December 2018 is in the amount of CZK 1,663,146 thousand.

23. Trade and other payables

As at 31 December 2018 and as at 31 December 2017, other non-current payables comprise the following:

CZK'000	31 December 2018	31 December 2017
Advances relating to the rent agreements **)	61,339	64,583
Advances received from airline companies **)	42,854	18,467
Retained payments from investments *)	161,610	112,546
Derivatives *)	891	-
Other **)	-	363
Total trade and other payables	266,694	195,959

*) Financial liabilities

***) Non-financial liabilities

As at 31 December 2018 and as at 31 December 2017, current trade and other payables comprise the following:

CZK'000	31 December 2018	1 January 2018	IFRS 15 impact	31 December 2017
Trade payables *)	959,945	733,720	(70,437)	804,157
Payables to employees **)	210,301	195,019	-	195,019
Social security payables and employees taxes **)	129,175	112,778	-	112,778
Payables to tax authority **)	672	5,201	-	5,201
Contract liabilities **)	32,948	21,543	21,543	-
Refund liabilities *)	232,262	70,437	70,437	-
Advances received **)	83	96	(15,622)	15,718
Deferred income **)	9,760	12,938	(5,921)	18,859
Derivatives *)	1,453	-	-	-
Other **)	3,686	3,430	-	3,430
Total trade and other payables	1,580,285	1,155,162	-	1,155,162

*) Financial liabilities

***) Non-financial liabilities

Trade payables are non-interest bearing and are normally settled on 30-day terms.

24. Provisions

As at 31 December 2018 and as at 31 December 2017, the Group recognised the following provisions:

CZK'000	Current provisions		Non-current provisions	
	Legal and other risks	Liabilities with aircraft	Legal and other risks	Liabilities with aircraft
As at 1 January	18,036	-	1,718	10,750
Transferred	(17,909)	10,750	17,909	(10,750)
Arising during the	-	5,909	3,106	-
Reversed	-	-	(1,450)	-
Utilised	(127)	-	-	-
As at 31 December	-	16,659	21,283	-

24. Provisions (continued)

CZK'000	Current provisions		Non-current provisions	
	Legal and other risks		Legal and other risks	Liabilities with aircraft
As at 1 January	36,221	-	-	12,563
Arising during the	847	1,718	-	-
Reversed	(16,609)	-	-	(1,813)
Utilised	(2,423)	-	-	-
As at 31 December	18,036	1,718	-	10,750

25. Employee benefits liability

The Group provides long-term benefits to its employees, mainly jubilee benefits.

The balance of the employee benefits liability as at 31 December 2018 and as at 31 December 2017 is as follows:

CZK'000	31 December 2018	31 December 2017
Opening balance	25,931	19,485
Additions	4,808	9,201
(Utilised/reversed)	(4,762)	(2,755)
Total	25,977	25,931

26. Commitments and contingencies from continuing operations

Environmental policy

The Group applies an environmental policy under which the impacts of its activities on the environment are monitored specifically in the following areas:

- Treatment of solid and liquid waste;
- Air pollution; and
- Noise from airline activities.

Legal claims

The total exposure resulting from pending legal claim, with the probability of losing of the litigation higher than 50 %, as at 31 December 2018 and as at 31 December 2017 was CZK 13,349 thousand and CZK 14,377 thousand, respectively. A provision was created for these legal disputes. It is part of the provision for legal and other risks.

For the legal claims, which were assessed by the management as very likely resulting in a successful outcome, no provision was created.

Contractual commitments - liabilities

As at 31 December 2018 and as at 31 December 2017, the Group had contracted investment commitments in the total amount of CZK 2,081,698 thousand and CZK 1,020,167 thousand, respectively.

As at 31 December 2018 the Group has a liability resulting from the contract to purchase the services in the total amount of CZK 41,968 thousand in the period from 2019 to 2022 (as at 31 December 2017 CZK 50,534 thousand).

26. Commitments and contingencies from continuing operations (continued)

Contractual commitments - receivables

As part of its business activities, the Group rents out commercial space and lands in the airport. The future minimum rent receivable under non-cancellable operating leases (without considering a breach of contractual terms) was as follows as at 31 December 2018 and as at 31 December 2017:

CZK'000	31 December 2018	31 December 2017
Within one year	1,317,129	1,035,163
After one year but not more than five years	2,221,595	1,641,041
More than five years	1,081,784	923,776
Total	4,620,508	3,599,980

The majority of the rental contracts include two parts of the rent – a fixed part and a variable part. The variable part of the rent is calculated as a percentage from the tenant's turnover. As it is not possible to calculate the variable part of rent in advance, the table above only includes the fixed part of the rent and the minimum amount of the variable part where this is stated in the lease contract.

As part of its business activities, the Group rents out the aircraft Airbus 319. The future minimum rent receivable under operating leases (without considering breach of contractual terms) was as follows as at 31 December 2018 and as at 31 December 2017:

CZK'000	31 December 2018	31 December 2017
Within one year	250,706	306,756
After one year but not more than five years	107,434	355,564
Total	358,140	662,320

Guarantees

As at 31 December 2018 there are bank guarantees issued in favour of the Group to secure the rent payment in the amount of CZK 179,300 thousand, to secure the construction work in the amount of CZK 80,350 thousand, to secure airport activities in the amount CZK 35,576 thousand and the others in the amount of CZK 1,383 thousand. The bank guarantees issued in favour of third parties regarding operational activities of the Group are in the amount of CZK 11,687 thousand.

As at 31 December 2017 there are bank guarantees issued in favour of the Group to secure the rent payment in the amount of CZK 127,947 thousand, to secure the construction work in the amount of CZK 31,473 thousand, to secure airport activities in the amount CZK 28,236 thousand and the others in the amount of CZK 1,383 thousand. The bank guarantees issued in favour of third parties regarding operational activities of the Group are in the amount of CZK 8,542 thousand.

27. Related-party disclosures

Sales higher than CZK 1,000 thousand per entity to entities that are either state-controlled companies or companies under common control of the state or government institutions in 2018 and 2017 totalled CZK 393,187 thousand and CZK 2,396,704 thousand, respectively.

The most important sales were to České aerolinie a.s. in the period 1-2/2018 and in 2017 in the amount of CZK 311,559 thousand and CZK 2,313,014 thousand, which include:

- Sale of handling services in the period 1-2/2018 and in 2017 in the amount of CZK 38,123 thousand and CZK 265,765 thousand, respectively.
- Sale of aviation fuel in the period 1-2/2018 and in 2017 in the amount of CZK 0 thousand and CZK 99,502 thousand, respectively.
- Air traffic fees in the period 1-2/2018 and in 2017 in the amount of CZK 105,299 thousand and CZK 845,567 thousand, respectively.
- Rent and energy consumption in the period 1-2/2018 and in 2017 in the amount of CZK 1,702 thousand and CZK 10,239 thousand, respectively.
- Aircraft operating lease in the period 1-2/2018 and in 2017 in the amount of CZK 74,670 thousand and CZK 465,326 thousand, respectively.
- Aircraft maintenance and overhauls in the period 1-2/2018 and in 2017 in the amount of CZK 79,837 thousand and CZK 538,860 thousand, respectively.
- Sale of rotables and consumable aircraft material in the period 1-2/2018 and in 2017 in the amount of CZK 5,380 thousand and CZK 42,644 thousand, respectively.

The highest amount of sales to other entities in 2018 was: to Czech Airlines Training Center, s.r.o. (rent of premises, energy consumption – CZK 29,253 thousand), Řízení letového provozu, s.p. (rent of premises, energy consumption – CZK 16,699 thousand), Ministerstvo vnitra CR (rent of premises, energy consumption – CZK 12,191 thousand) and Generální ředitelství cel (sale of land, rent of premises, energy consumption – CZK 8,641 thousand).

The highest amount of sales to other entities in 2017 was: to Czech Airlines Training Center, s.r.o. (rent of premises, energy consumption – CZK 34,502 thousand), Řízení letového provozu, s.p. (rent of premises, energy consumption – CZK 16,021 thousand), Ministerstvo vnitra CR (rent of premises, energy consumption – CZK 12,026 thousand) and Generální ředitelství cel (sale of land, rent of premises, energy consumption – CZK 8,855 thousand).

Purchases higher than CZK 1,000 thousand per entity from entities that are either state-controlled companies or companies under common control of the state or government institutions in 2018 and 2017 totalled CZK 162,222 thousand and CZK 325,616 thousand.

The highest amount of purchases in 2018 was ČEPRO, a.s. (fuels – CZK 59,157 thousand), Správa Letiště Praha, s.p. (lease of land – CZK 59,882 thousand), České aerolinie a.s. (total CZK 17,258 thousand, of which fixed assets acquisition CZK 13,712 thousand and purchase of marketing services CZK 2,838 thousand) and Czech Airlines Training Center, s.r.o. (training services – CZK 9,920 thousand) and Český hydrometeorologický ústav (weather forecast – CZK 8,732 thousand).

The highest amount of purchases in 2017 was Správa Letiště Praha, s.p. (lease of land – CZK 59,409 thousand), České aerolinie a.s. (total CZK 246,211 thousand, of which fixed assets acquisition CZK 213,164 thousand and purchase of marketing services CZK 23,348 thousand) and Czech Airlines Training Center, s.r.o. (training services – CZK 11,896 thousand) and Český hydrometeorologický ústav (weather forecast – CZK 8,100 thousand).

All the above stated relations were realized based on the arm's length principle.

Further the Group rents the premises to the related party free of charge in 2018 and 2017 in the amount of CZK 7,421 thousand and CZK 7,245 thousand. The premises are used for the necessary activities for the airport operation.

In the normal course of business, the Group further has a relationship with the tax authority, social security institution and health insurance companies. The Group fulfils all the obligations emerging from such relationships.

For key management compensation, see Note 7.

28. Audit fee

The total audit fee to the company PricewaterhouseCoopers Audit, s.r.o. for the audits of financial statements of the companies within the Group and related services in 2018 and 2017 respectively for the Group is in the amount of CZK 2,300 thousand and CZK 2,450 thousand, respectively.

29. Financial risk management objectives and policies

Risk analysis

Liquidity risk

Group liquidity management is carried out at the Company level. Due to the nature of the business performed by the subsidiaries there is no direct influence of the subsidiaries' operating cash flow on the liquidity risk of the Company.

The process of liquidity management of the Company is based on the principle of regularly conducted forecasts of future development of inflows, outflows and the estimated cash positions following therefrom, and on identifying potential risks that may possibly jeopardise Company's liquidity over an appropriately defined time horizon. The scope of sorting internal data is set in such a manner so as to make it possible to monitor, on a daily and separate basis, volumes of regular income, expenditures and other items (e.g. investment expenditures, repayments of loans, promissory notes, bonds, interest, etc.). Daily coordination of cash balances among banks and the investment of temporarily excessive liquidity are then closely related to this process.

The estimation of future development of cash flows and cash positions is based on statistically traced historical volumes of income and expenditures from ordinary activities. The results are then indexed based on expected business development. The expected development of the CZK foreign exchange rates (to USD and EUR) and interest rates are taken also into account. These figures are subsequently completed with data on other relevant items and updated on a daily basis. Estimated receipts and disbursements are updated with data that change daily and are at disposal in accounts payable and receivable ledgers. Such daily updated future treasury positions reveal the volume and timing of excessive liquidity or the risk of occurrence of shortages of cash indicated for a particular day as the case may be. Outputs of the predictions covering the period of up to twelve consecutive months are an integral part of weekly cash reports submitted to key management. The data presents valuable information about temporarily excess liquidity or are used as a basis for management decisions on interest-bearing debt.

In addition to the processes described above, a Business Plan is prepared by the Group each year, always immediately after the Group's budget for the given accounting period had been discussed and approved. The Business Plan also includes an overview of cash flows for the budgeted period. Covenants related to the Group's borrowings and guarantees are monitored by management on a regular basis.

The table below separates the Group's financial liabilities into relevant contractual maturity groupings as at the balance sheet date.

As at 31 December 2018 CZK'000	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Bank loan				
principal	714,286	-	-	714,286
interest	452	-	-	452
Bonds				
principal	-	250,000	-	250,000
interest	12,250	12,250	-	24,500
Trade and other payables	1,192,207	162,501	-	1,354,708
Lease liabilities	53,811	215,221	1,447,925	1,716,957

29. Financial risk management objectives and policies (continued)

Adjusted amount of the Group's financial liabilities as at 1 January 2018 with the impact of the adopted IFRS 16 Leases:

As at 1 January 2018 CZK'000	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Bank loan				
principal	1,428,571	714,286	-	2,142,857
interest	2,781	452	-	3,233
Bonds				
principal	-	250,000	-	250,000
interest	12,250	24,500	-	36,750
Trade and other payables	804,157	112,546	-	916,703
Lease liabilities	53,170	213,492	1,502,384	1,769,046

Impact of the newly adopted IFRS 16:

As at 1 January 2018 CZK'000	Less than 1 year	Between 1 and 5 years	Over 5 years	Not amortized liability	Total
Lease liabilities	52,305	213,492	1,502,384	(649,465)	1,118,716

As at 31 December 2017 CZK'000	Less than 1 year	Between 1 and 5 years	Not amortized liability	Total
Bank loan				
principal	1,428,571	714,286	-	2,142,857
interest	2,781	452	-	3,233
Bonds				
principal	-	250,000	-	250,000
interest	12,250	24,500	-	36,750
Trade and other payables	804,157	112,546	-	916,703
Lease liabilities	865	-	649,465*	650,330

* Not amortized liability in respect of finance leases is stated in the discounted value, see note 2.3 and 22.

Credit quality of cash and cash equivalents

The Group invests its temporarily excessive liquidity solely with top credit rated banks. Based on the evaluation of the risk of the individual rating categories according to S&P Global from 2017 the impairment to cash at bank was set as at 31 December 2018. The average of last ten years was used for calculation.

As at 31 December 2017 CZK'000	Rating Moody's	Rating S&P	Risk in %	Amount	Impairment
Bank A	Aa3	A+	0.06	274,947	168
Bank B	A1	A+	0.06	757,404	462
Bank C	Baa1	BBB+	0.12	799,457	935
Bank D	A1	A+	0.06	2,139,622	1,305
Celkem				3 971 430	2,870

In connection with the adoption of IFRS 9 Financial instruments, the impairment to cash at bank was not identified as at 1 January 2018, for the reason that the impairment loss was immaterial.

29. Financial risk management objectives and policies (continued)

Credit quality of trade and other receivables

The credit risk arises from the possibility that the customers may not be able to settle obligations to the Group within the normal terms of trade. To manage this risk, the Group periodically assesses the financial viability of its customers. Credit risk is controlled by the application of credit approvals, limits and monitoring procedures. Payment terms (security deposits, advance payments, payments in cash on spot, or by invoice) are determined based on the assessed credit quality of the customer. Naturally, the business partners with the highest share of the Company's revenues represent the main concentration of the credit risk. The most important customer is mainly České aerolinie a.s. this company has 21 % and 24 % share on the trade receivables as at 31 December 2018 and as at 31 December 2017 (as at 1 January 2018 is 25 % share as a result of the impact of newly adopted IFRS 15).

Management of the receivables from the lease agreements

The Group checks the receivables at least twice a month and evaluates the potential risk. The receivables from selected tenants are checked more frequently. Should the tenant not comply with the credit terms, adequate procedures are taken (intensive communication with the partner, email / paper demand for payment, charging late payment interest or penalties, issuing warnings, notice or there could be an option to terminate the agreement). Risks are assessed with regard to the provided deposit or bank guarantee, limited value of goods, equipment and technical appreciation made by the tenant in the rented space (retention institute). The retention institute is limited with regard to concrete business activity, goods and technical appreciation of the tenant.

Management of receivables from the airport operations

It is at the Group's discretion as to whether, prior to the commencement of operations, the carrier will be obliged to provide a prepayment, deposit, principal or bank guarantee covering the minimum period of operations based on the agreed invoicing period and payment term. If a carrier refuses to use any of the offered guarantee options, the Group has the right to require that a cash payment be made prior to each aircraft's departure from the Group or all relevant airport charges will be collected by the handling company in line with the valid mandatory agreement. The Group's actual response depends on the particular business decision.

Provided there were no delay in receiving payments from the carrier for the fees charged during the immediately preceding 12-month period, Prague Airport can decide to return the deposit or not require a prepayment, principal or bank guarantee anymore.

Management of other trade receivables

For all other trade receivables, depending upon the type and level of the particular payment, security may be required or credit information/references obtained. Historical data from the business relationship up until that point, in particular in relation to payment behaviour, may be used in an effort to avoid non-payment. Allowances for receivables are made in respect of recognized risks.

The credit risk from investments and derivative financial instruments relate to default by a contract partner. The transactions are concluded with contracting parties with high credit ratings, so the risk of non-payment is significantly reduced.

29. Financial risk management objectives and policies (continued)

Trade receivables, unbilled revenues and contract assets

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables, unbilled revenues and contract assets.

To measure the expected credit losses, trade receivables, unbilled revenues and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress have substantially the same risk characteristics as the trade receivables for the same types of contracts. The approach to the allowance to contract assets is therefore the same as to the allowance to trade receivables.

From the historical data results that the receivables which are more than 1 year past overdue are collectible with large difficulties. Therefore to these receivables the Group creates the allowance of 100 %. Other receivables, unbilled revenues and contract assets are individually analyzed based on the payment profile of the debtor or objective evidences of significant financial difficulties of the debtor (e.g. the debtor is in bankruptcy proceedings). Those are indicators that the trade receivable, unbilled revenues or contract asset is impaired (based on the risk matrix).

On that basis, the loss allowance as at 31 December 2018 was determined as follows for both trade receivables, unbilled revenues and contract assets:

As at 31 December 2018 CZK'000	Expected loss rate	Trade receivables	Unbilled revenues	Contract assets	Loss allowance
overdue more than 12 months	100 %	101,118	-	-	(101,118)
overdue up to 12 months	11.2 %	187,278	-	9,769	(21,984)
not yet due	2.2 %	1,069,188	146,143	41,466	(27,867)
Total		1,357,584	146,143	51,235	(150,969)

In connection with the adoption of IFRS 9 Financial instruments, the change of allowance to trade receivables, unbilled revenues and contract asset was not identified as at 1 January 2018, for the reason that the change of allowance as at 1 January 2018 was immaterial in comparison with the allowance as at 31 December 2017.

The loss allowance as at 1 January 2018

As at 1 January 2018 CZK'000	Expected loss rate	Trade receivables	Unbilled revenues	Contract assets	Loss allowance
overdue more than 12 months	100 %	119,632	-	-	(119,632)
overdue up to 12 months	8.77 %	100,044	-	-	(8,769)
not yet due	0.15 %	1,181,437	46,385	80,692	(2,010)
Total		1,401,113	46,385	80,692	(130,411)

29. Financial risk management objectives and policies (continued)

Previous accounting policy for impairment of trade receivables

Trade receivables that are less than six months past due are not considered impaired, except for receivables for which the Group has objective evidence of significant financial difficulties of the debtor or the debtor is in bankruptcy proceedings. Those are indicators that the trade receivable is impaired and the allowance for the difference between the carrying amount and the recoverable amount is created.

CZK'000	2017	Loss allowance
overdue more than 6 months (100% provision created)	121,484	121,484
overdue up to 6 months (100% provision created)	6,917	6,917
overdue up to 6 months (no provision created)	91,275	-
not yet due (provision created)	2,010	2,010
not yet due (no provision created)	1,210,768	-
unbilled revenue	95,736	-
Total trade receivables (without provision) and unbilled revenue	1,528,190	130,411

The movement in the provision for impairment of trade receivables, unbilled revenues and contract assets is as follows:

CZK'000	2018	2017
As at 1 January	130,411	175,916
Increase / (decrease) of allowance	35,015	(8 858)
Exchange rate difference	3,756	(14 722)
Receivables written off during the year as uncollectible	(18,213)	(21 925)
As at 31 December	150,969	130 411

The creation and release of allowances for impaired receivables have been included in the Other operating expenses line in the income statement.

The structure of trade receivables, unbilled revenues and contract assets secured by bank guarantees or deposits is as follows:

As at 31 December 2018 CZK'000	Not due yet	Overdue	Total
Trade accounts receivable	1,069,188	288,396	1,357,584
Unbilled revenue	146,143	-	146,143
Contract assets	41,466	9,769	51,235
Of which covered by the collateral*)	71,965	41,375	113,340

*) The fair value of collateral does not significantly differ from book value.

As at 1 January 2018 CZK'000	Not due yet	Overdue	Total
Trade accounts receivable	1,181,437	219,676	1,401,113
Unbilled revenue	46,385	-	46,385
Contract assets	80,692	-	80,692
Of which covered by the collateral*)	77,876	8,223	86,099

*) The fair value of collateral does not significantly differ from book value.

29. Financial risk management objectives and policies (continued)

The structure of trade receivables secured by bank guarantees or deposits is as follows:

As at 31 December 2017 CZK'000	Not due yet	Overdue	Total
Trade accounts receivable	1,212,778	219,676	1,432,454
Unbilled revenue	95,736	-	95,736
Of which covered by the collateral*)	77,876	8,223	86,099

*) The fair value of collateral does not significantly differ from book value.

Market risk

Foreign exchange risk – airport operations

The Group is not exposed to significant currency risk from airport operations as the majority of contracts are denominated in the functional currency (which is the same as the presentation currency, CZK).

The Group considers foreign exchange risk from airport operations to be insignificant. The transactional currency risk is calculated in each foreign currency and includes currency-denominated assets and liabilities. As at 31 December 2018 and as at 31 December 2017, the Group did not have any exchange rate hedges in place to mitigate the foreign currency exposure from airport operations.

Foreign exchange risk – aircraft maintenance and overhauls and handling services

The Group is in the area of aircraft maintenance and overhauls and handling services exposed to the risk of exchange rate fluctuations. For that reason, the Group tries to maximize compensation for these risks, control net position in order to keep optimal effect on net profit and cover open position if necessary.

Therefore, the Group concluded FX hedging transactions (FX forward) with aim to ensure its income in foreign currencies against the foreign currency risk.

As at 31 December 2018 and as at 31 December 2017, the Group has concluded hedging derivatives to secure part of its EUR exposure:

Foreign currency forwards – cash flow hedges

CZK'000	2018	2017
Non-current assets – derivatives	1,485	814
Current assets – derivatives	1,091	5,491
Non-current liabilities – derivatives	891	-
Current liabilities - derivateives	1,453	-

CZK'000

Maturity	Fair value as at 31 December 2018		Nominal value as at 31 December 2018	Fair value as at 31 December 2017		Nominal value as at 31 December 2017
	Asset	Liability		Asset	Liability	
Within one month	272	(4)	35,165	505	-	23,873
From one to three months	404	(35)	70,329	992	-	47,746
From three months to one year	415	(1,414)	316,481	3,994	-	214,859
Above one year	1,485	(891)	296,267	814	-	129,453
	<u>2,576</u>	<u>(2,344)</u>	<u>718,242</u>	<u>6,305</u>	<u>-</u>	<u>415,931</u>

The foreign currency forwards are denominated in the same currency as the highly probable future sales (EUR), therefore the hedge ratio is 1:1.

29. Financial risk management objectives and policies (continued)

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classified as held for trading for accounting purposes and are accounted for at fair value through profit or loss. They are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period.

Where all relevant criteria are met, hedge accounting is applied to remove the accounting mismatch between the hedging instrument and hedged item. This will effectively result in recognising revenue at a fixed foreign currency rate for hedged sales.

Hedge ineffectiveness is determined at the inception of the hedge relationships, and through periodic prospective effectiveness assessment to ensure that an economic relationship exists between the hedged item and hedging instrument.

For hedges of foreign currency sales, the Group enters into hedge relationships where the critical terms of the hedging instrument match with the terms of the hedged item. The group therefore performs a qualitative assessment of effectiveness. In hedges of foreign currency sales, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated.

There was no ineffectiveness during 2018 and 2017 in relation to the foreign currency forwards.

Foreign exchange risk – currency exposure

The following tables show foreign currency exposures per main currencies (with the balance higher than CZK 10 million in some of the category or in total) as at 31 December 2018 and as at 31 December 2017:

As at 31 December 2018 CZK'000	Trade and other receivables	Trade and other payables	Cash and cash equivalents	Total
EUR	470,898	(52,256)	276,536	695,178
USD	148,755	(89,587)	57,158	116,326
Total in CZK thousand	619,653	(141,843)	333,694	811,504

As at 31 December 2017 CZK'000	Trade and other receivables	Trade and other payables	Cash and cash equivalents	Total
EUR	483,983	(86,664)	151,517	548,836
USD	151,817	(105,730)	37,401	83,488
Total in CZK thousand	635,800	(192,394)	188,918	632,324

The table below summarises the impact before tax of the weakening/strengthening of the functional currency on the Group's income statement for each category of financial instrument held as at the balance sheet date. The foreign exchange rate movements of -10% (depreciation of CZK) and +10% (appreciation of CZK) are considered based on historic movements and future expectations:

As at 31 December 2018 CZK'000	Trade and other receivables	Trade and other payables	Cash and cash equivalents	Total	
EUR	Appreciation of CZK by 10 %	(47,090)	5,226	(27,654)	(69,518)
	Depreciation of CZK by 10 %	47,090	(5,226)	27,654	69,518
USD	Appreciation of CZK by 10 %	(14,876)	8,959	(5,716)	(11,633)
	Depreciation of CZK by 10 %	14,876	(8,959)	5,716	11,633

29. Financial risk management objectives and policies (continued)

As at 31 December 2017		Trade and other	Trade and other	Cash and cash	Total
CZK'000		receivables	payables	equivalents	
EUR	Appreciation of CZK by 10 %	(48,398)	8,666	(15,152)	(54,884)
	Depreciation of CZK by 10 %	48,398	(8,666)	15,152	54,884
USD	Appreciation of CZK by 10 %	(15,182)	10,573	(3,740)	(8,349)
	Depreciation of CZK by 10 %	15,182	(10,573)	3,740	8,349

Interest rate risk

Changes in interest rates impact the Group in two areas: firstly, in the area of handling temporarily available liquidity, aiming at attaining maximum proceeds while maintaining a high degree of security of the invested financial funds. The other important area is the area of interest expenses – related to safeguarding against the risks following from expected or possible interest rate fluctuations.

Regarding the area of investing the temporarily available liquidity, the whole process is based on the principle that the Company invests only in conservative financial instruments (current bank accounts, term deposits and promissory notes of selected first-class Czech banks).

Regarding the risks arising from fluctuations in interest rates impacting the interest costs, the risk concerns a bank loan, a promissory notes programme and issued bonds.

In case of the bank loan the interest risk has been eliminated by using a fixed rate tied to the rating of the Company.

Bonds are issued at fixed rates corresponding to the actual market prices and agreed discounts.

Analysis of sensitivity to change in interest rates on interest-bearing cash deposits

Balance of the outstanding deposits as at 31 December 2018 CZK'000	Justified fluctuation of interest rates in % p.a.	Annual impact of the change of the variable +/-
Variable	3,968,560	1.00%
		39,686

Balance of the outstanding deposits as at 31 December 2017 CZK'000	Justified fluctuation of interest rates in % p.a.	Annual impact of the change of the variable +/-
Variable	2,698,873	1.00%
		26,989

Annual impact of the change is stated before income tax.

29. Financial risk management objectives and policies (continued)

Reconciliation of classes of financial instruments with measurement categories

The following tables provide a reconciliation of classes of financial assets and liabilities with the measurement categories as at 31 December 2018, as at 1 January 2018 (with IFRS 15 impact) and as at 31 December 2017:

31 December 2018 CZK'000					
Assets	Loans and receivables	Assets at fair value through profit or loss	Derivatives used for hedging	Total	Fair value
Cash and cash equivalents:					
Cash at bank	3,968,560	-	-	3,968,560	3,968,560
Cash on hands and liquid valuables	3,056	-	-	3,056	3,056
Cash in transit	2,125	-	-	2,125	2,125
Receivables:					
Trade accounts receivable	1,232,980	-	-	1,232,980	1,232,980
Unbilled revenue	142,400	-	-	142,400	142,400
Derivatives – short term	-	-	1,091	1,091	1,091
Derivatives – long term	-	-	1,485	1,485	1,485
Total financial assets	5,349,121	-	2,576	5,351,697	5,351,697

1 January 2018 CZK'000					
Assets	Loans and receivables	Assets at fair value through profit or loss	Derivatives used for hedging	Total	Fair value
Cash and cash equivalents:					
Cash at bank	2,698,873	-	-	2,698,873	2,698,873
Cash on hands and liquid valuables	6,774	-	-	6,774	6,774
Cash in transit	1,532	-	-	1,532	1,532
Receivables:					
Trade accounts receivable	1,270,702	-	-	1,270,702	1,270,702
Unbilled revenue	46,385	-	-	46,385	46,385
Derivatives – short term	-	-	5,491	5,491	5,491
Derivatives – long term	-	-	814	814	814
Total financial assets	4,024,266	-	6,305	4,030,571	4,030,571

31 December 2017 CZK'000					
Assets	Loans and receivables	Assets at fair value through profit or loss	Derivatives used for hedging	Total	Fair value
Cash and cash equivalents:					
Cash at bank	2,698,873	-	-	2,698,873	2,698,873
Cash on hands and liquid valuables	6,774	-	-	6,774	6,774
Cash in transit	1,532	-	-	1,532	1,532
Receivables:					
Trade accounts receivable	1,302,043	-	-	1,302,043	1,302,043
Unbilled revenue	95,736	-	-	95,736	95,736
Derivatives – short term	-	-	5,491	5,491	5,491
Derivatives – long term	-	-	814	814	814
Total financial assets	4,104,958	-	6,305	4,111,263	4,111,263

For fair value assessment the Level 3 is used.

29. Financial risk management objectives and policies (continued)

Reconciliation of classes of financial instruments with measurement categories (continued)

31 December 2018 CZK'000	Liabilities at amortised cost	Liabilities at fair value through profit or loss	Derivatives used for hedging	Total	Fair value
Liabilities					
Loans and borrowings:					
Bank loan	714,273	-	-	714,273	705,676
Bonds	255,258	-	-	255,258	261,250
Lease liabilities:					
Long term	1,663,146	-	-	1,663,146	1,405,874
Short term	53,811	-	-	53,811	37,966
Payables:					
Trade and other payables – short term	1,192,207	-	-	1,192,207	1,192,207
Trade and other payables – long term	161,610	-	-	161,610	161,610
Derivatives – short term	-	-	1,453	1,453	1,453
Derivatives – long term	-	-	891	891	891
Total financial liabilities	4,040,305	-	2,344	4,042,649	3,766,927

1 January 2018 CZK'000	Liabilities at amortised cost	Liabilities at fair value through profit or loss	Derivatives used for hedging	Total	Fair value
Liabilities					
Loans and borrowings:					
Bank loan	2,142,823	-	-	2,142,823	2,129,843
Bonds	254,244	-	-	254,244	272,500
Lease liabilities:					
Long term	1,715,876	-	-	1,715,876	1,715,876
Short term	53,170	-	-	53,170	53,170
Payables:					
Trade and other payables – short term	804,157	-	-	804,157	804,157
Trade and other payables – long term	112,546	-	-	112,546	112,546
Total financial liabilities	5,082,815	-	-	5,082,816	5,088,092

31 December 2017 CZK'000	Liabilities at amortised cost	Liabilities at fair value through profit or loss	Derivatives used for hedging	Total	Fair value
Liabilities					
Loans and borrowings:					
Bank loan	2,142,823	-	-	2,142,823	2,129,843
Bonds	254,244	-	-	254,244	272,500
Lease liabilities:					
Long term	649,465	-	-	649,465	649,465
Short term	865	-	-	865	865
Payables:					
Trade and other payables – short term	804,157	-	-	804,157	804,157
Trade and other payables – long term	112,546	-	-	112,546	112,546
Total financial liabilities	3,964,100	-	-	3,964,100	3,969,376

29. Financial risk management objectives and policies (continued)

Reconciliation of classes of financial instruments with measurement categories (continued)

The fair value of the derivatives results from the difference between contracted forward exchange rate and actual forward rate for the given due date. The difference between both rates is discounted to the present value as at the when the fair value is calculated.

The fair value of the bank loan is calculated as the net present value of future payments. The net present value is calculated using the interest rate curve for the appropriate time period.

For expressing the fair value of bonds the average of ask and bid prices indicated by the market as at 31 December 2018 and as at 31 December 2017 was used.

The fair value of the lease liabilities is calculated as the present value of the remaining lease payments, discounted using the incremental borrowing rate as at 31 December 2018.

Level 2 is used for fair value assessment of derivatives and loans and borrowings. For other liabilities the Level 3 is used.

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions, investment needs and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group uses primarily dividend payments to shareholders.

The Group expects in the medium-term period significant investments in parallel runway construction and expansion of terminal capacity. Until the investments are made, the Group focuses on minimizing its debt burden. The Group includes within the debt the interest-bearing loans and borrowings and lease liabilities.

CZK'000	As at 31 December 2018	As at 1 January 2018 *)	As at 31 December 2017
Financial debt	2,686,488	4,166,113	3,047,397
Equity	35,165,238	32,213,586	32,213,586
The leverage ratio	7.64%	12.93%	9.46%

*) Impact of IFRS 16

In April 2018, International rating agency Moody's Investors Service improved outlook of credit rating of the Company from stable to positive.

The Group's capital management, amongst other things, aims to ensure that it meets the financial covenant attached to the interest-bearing loan that defines capital structure requirements. Breaches in meeting the financial covenant would permit the bank to immediately call the loan. There have been no breaches in the financial covenant of the interest-bearing loan in the current period.

30. Events after the balance sheet date

In April 2018, International rating agency Moody's Investors Service improved outlook of credit rating of the Company from stable to positive.

The Group signed the sale contracts for all 6 aircraft Airbus A319 in the period between the year end and the financial statements signing date. The aircraft will be handed over to the buyer in stages from 1 March 2019 to 30 September 2020. Two aircraft were handed over to the buyer till the consolidated financial statements date.

Effective on 1 January 2019, Ing. Jiří Kraus takes on the role of the new vice-chairman of the Board of Directors of Letiště Praha, a. s., Ing. Radek Hovorka continues as the member of the Board of Directors.

On 4 January 2019 the termination of membership of JUDr. Petr Pavelec in the Board of Directors as at 31 December 2018 was registered in the Commercial Register.

On 1 February 2019, the number of the Board of Directors' members decreased to 4 members based on the change in the Company's Articles of Association.

On 1 March 2019 the term of office in Supervisory Board of Ing. Petr Minařík expired.

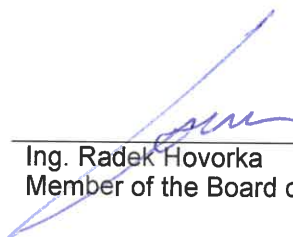
No other events have occurred subsequent to year-end that would have a material impact on the consolidated financial statements for the year 2018.

These consolidated financial statements of Letiště Praha, a. s. for the year ended 31 December 2018 were authorised for issue:

31 May 2019



Ing. Václav Řehoř, Ph.D., MBA
Chairman of the Board of Directors



Ing. Radek Hovorka
Member of the Board of Directors



Independent auditor's report

to the shareholder of Letiště Praha, a. s.

Opinion

We have audited the accompanying consolidated financial statements of Letiště Praha, a. s., with its registered office at K letišti 1019/6, Praha 6 - Ruzyně ("the Company") and its subsidiaries (together "the Group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the consolidated statement of financial position as at 31 December 2018, consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year ended 31 December 2018 and notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, of its consolidated financial performance and its consolidated cash flows for the year ended 31 December 2018 in accordance with International Financial Reporting Standards as adopted by the European Union.

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 Consolidated Financial Statements section of our report. We are independent of the Group 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 consolidated Annual Report other than the consolidated financial statements and auditor's report thereon. The Board of Directors is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge about the Group 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 consolidated financial statements is, in all material respects, consistent with the consolidated financial statements; and
- The other information is prepared in compliance with applicable law and regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Group 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 Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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Independent auditor's report

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group'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 Group 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 consolidated financial statements preparation process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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 May 2019

Trouha & Partners 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.