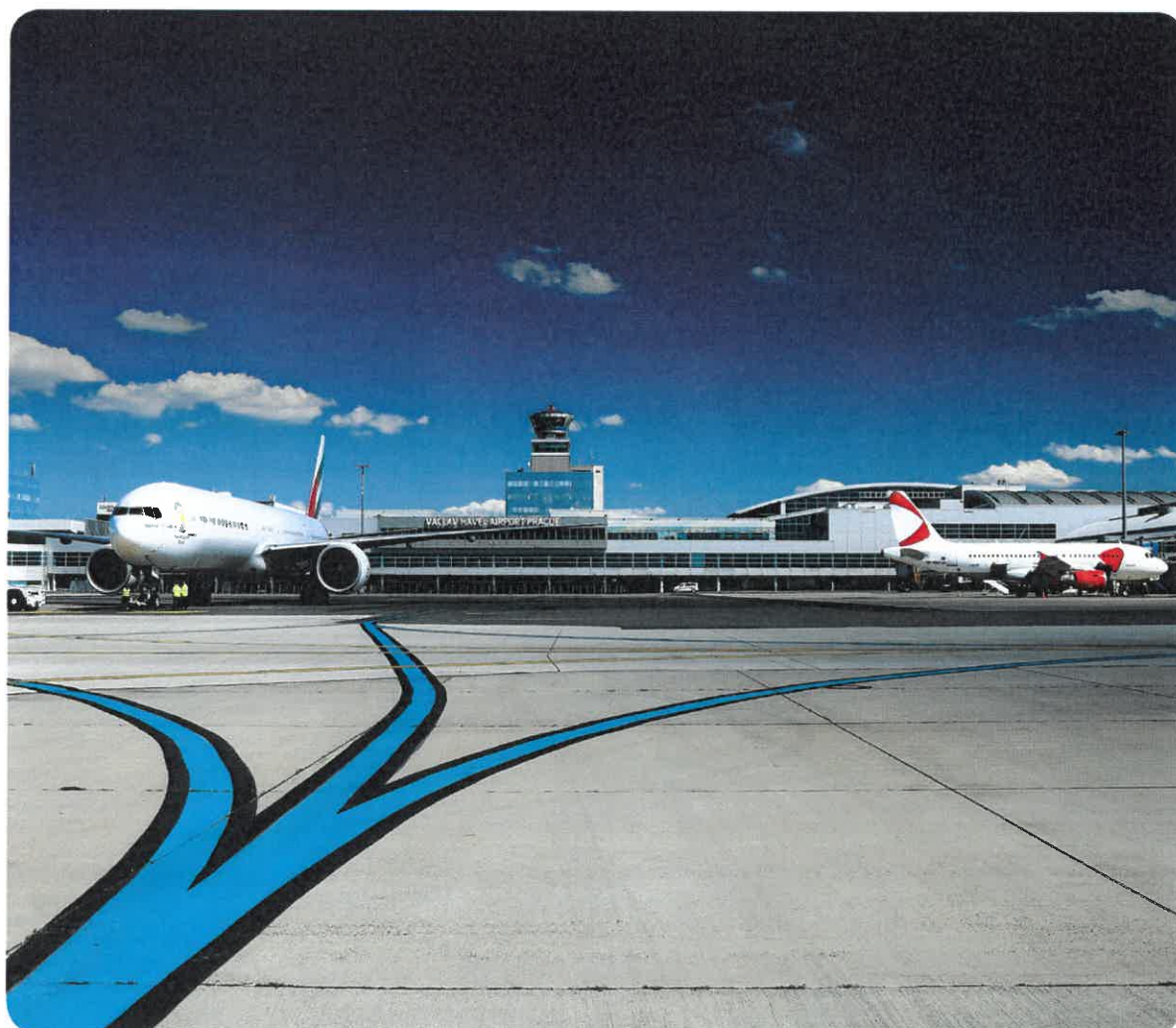




LETIŠTĚ PRAHA, A. S.

**2018**

ANNUAL REPORT



## Foreword by the Chairman of the Board of Directors

Ladies and Gentlemen,

The year 2018 at Prague Airport represents, for the third consecutive time, another year in which a historical record in terms of the number of handled passengers was reached. Approximately 16.8 million passengers passed through the gates of the airport on their way to one of the 171 destinations with direct scheduled connections operated by a total of 69 air carriers. Some new airlines launched their operations from/to Václav Havel Airport Prague in 2018, including American Airlines, one of the largest air carriers in the world, which launched direct scheduled flights to Philadelphia.

In 2018, the positive trend of a faster growth in the number of handled passengers than in aircraft movements continued. This is good news primarily for residents of the airport surrounding municipalities whose quality of life is among our top priorities.

On the other hand, air traffic growth places great demands on airport capacity. In recent years, we were able to increase it through construction work, while still maintaining the existing airport layout, to the current 17 million handled passengers a year. In 2018, for example, we launched operations of a brand-new central security checkpoint in Terminal 2, increasing its capacity by up to 40%. In Terminal 1, we implemented large-capacity carousels for checked baggage and launched operations of a reconfigured aircraft stand with new gates, where either one long-haul aircraft or two medium-haul aircraft can be handled at once. We also added approximately 600 new parking spaces for passengers in 2018 within the current parking capacities of the airport.

Nevertheless, we will certainly reach the airport's maximum available capacity this year. Therefore, it is vital we implement long-term development plans which will fundamentally change the airport layout and support consequent capacity increases.

Every year, we primarily want to show our great commitment to passengers and the general public. This was also the case in 2018. We expect this year to be no different. However, it is only possible to achieve our goals with the support of our employees and partners. I would like to thank them in particular for their work during the last year and wish us all every success in 2019.



Václav Řehor  
Chairman of the Board of Directors  
Prague Airport

## 1. Company Profile

### Mission of the Company

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

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

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

Using its own resources, Prague Airport 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.

Prague Airport is aware of its corporate social responsibility with regard to the impact of its operations on the environment and its surrounding areas. Therefore, it pursues its 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

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

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

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

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

Prague Airport does not carry out any significant research and development activities.

The Company did not acquire its own shares.

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

Prague Airport handled 16.8 million passengers in 2018, representing an overall growth of 8.97% compared to the year 2017.

The net profit of the Company reached CZK 3,415 million in 2018 and exceed the budget for the year 2018 by 29%.

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

The Company's gross operating profit (EBITDA<sup>1</sup>) reached CZK 4,721 million in 2018 and exceed the budget for the year 2018 by 6 %, despite a significant year-on-year growth in personnel costs related to the recruitment of new employees.

Total operating revenues of the Company in total amount of CZK 8,441 million, were positively impacted by the passenger growth, higher demand for airport lounges within the non-aviation business segment and by the further expansion of the airport capacity, for example, parking spaces. The increase in non-aviation business revenue was also supported by the revenue generated by the airport restaurant and by the rents that were affected also by opening of the new commercial zone in Terminal 1 in 2017, the operations of which positively impacted the Company's revenue throughout 2018.

In terms of total operating costs<sup>2</sup> in total amount of CZK 3.720 million, the Company saved 4 % compared to the budget for 2018 thanks to effective operating cost management, which enabled the Company to increase employees' salaries, continue in planned repairs of the airport infrastructure, expansion of the airport capacity and continue to invest in safety and modern technologies. In 2018, the Company also benefited from the synergies of the merger of the Company with Český Aeroholding, a.s., Realitní developerská, a.s., Sky Venture a.s. and Whitelines Industries a.s., implemented as at the decisive merger date of 1 January 2018, with the Commercial Registry Entry as at 1 October 2018.

In 2018, the Company's total assets increased by CZK 1,216 million, from CZK 35,122 million as at 1 January 2018 to CZK 36,338 million as at 31 December 2018. The total assets increased primarily due to the increase in fixed assets in the amount of CZK 902 million and due to the increase in cash in the amount of CZK 220 million.

The Company's fixed assets increased by CZK 902 million in 2018, primarily due to the increase of CZK 529 million in fixed assets in the course of construction in accordance with the investment plan and due to the decrease in impairment of investments in subsidiaries in the amount of CZK 419 million based on the probable future development scenarios. In 2018, the Company acquired fixed assets worth CZK 1,577 million, while the depreciation and amortization of fixed assets amounted to CZK 1,126 million.

The Company's equity increased by CZK 3,061 million in 2018. The change in the equity primarily resulted from the dividend paid to the sole shareholder (Ministry of Finance) in accordance with the approved dividend policy in the amount of CZK 354 million, and the 2018 profit in the amount of CZK 3,415 million.

The Liabilities of the Company decreased by CZK 1,828 million in 2018, primarily due to the repayment of a bank loan by the Company amounting to CZK 1,429 million.

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

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

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<sup>1</sup> EBITDA – Earnings before interest, taxes, depreciation, and amortization

<sup>2</sup> Total operation costs – Operating costs before depreciation and amortization



### 3. Company Management and Governance

#### General Data

Corporate Name: Letiště Praha, a. s.  
Registered in the Commercial Register administered by the Municipal Court in Prague, Section B, Entry 14003  
Company Reg. No.: 28244532  
Company Tax No.: CZ699003361  
Date of Incorporation: 6 February 2008  
Registered Office: K letišti 1019/6, 161 00 Praha 6, the Czech Republic

#### Shareholder

Since 1 October 2018, the Ministry of Finance, Registration No.: 000 06 947, as a central government body that represents the Czech Republic while exercising its ownership rights, has been the sole shareholder of the Company.

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.

#### Administrative Bodies

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

The Board of Directors is the Statutory Body of the Company. It manages the Company's affairs and acts on behalf of the Company. As at 31 December 2018, there were five members of the Board of Directors.

The Supervisory Board is the controlling body of the Company. It supervises the scope of performance of the Board of Directors and the Company's business activities. There were six members of the Supervisory Board as at 31 December 2018.

The Audit Committee is an independent body of the Company established pursuant to the Act on Auditors and the Articles of Association of the Company. There were three members of the Audit Committee as at 31 December 2018.

#### Contact

Letiště Praha, a. s.  
K letišti 1019/6  
161 00 Praha 6  
The Czech Republic

Telephone: +420 220 111 888  
Data Box: ayqexy5  
Internet: [www.prg.aero](http://www.prg.aero)

#### Board of Directors of the Company

As at 31 December 2018, the Company 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 Petržílka – 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 Švejnar, M.A., Ph.D. – membership commenced on 23 October 2018, role commenced on 16 November 2018

## Audit Committee

### **Chairman of the Audit Committee**

Ing. Petr Šobotník

### **Vice-Chairperson of the Audit Committee**

Ing. Andrea Lukášiková

### **Member of the Audit Committee**

Ing. Ivo Středa

### **Changes to the Audit Committee in 2018**

Ing. Andrea Lukášiková – 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

## 4. Human Resources

As at 31 December 2018, Prague Airport employed a total of 2,654 employees.

In terms of the average number of employees in full-time equivalent units, the Company had 2,511 employees in 2018.

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

## 5. Selected Events of 2018 and Outlook for 2019

### 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.

#### **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.

## 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.

## April

- Moody's Investors Service, a renowned international rating agency, improves Český Aeroholding's credit rating to A1 positive, which is the best rating that can be achieved in the Czech Republic. Prague Airport is the main part of the Český Aeroholding.
- On 5 April 2018, a special flight is operated to commemorate the 81<sup>st</sup> anniversary of Prague Airport.
- 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 ready for each metro train arrival.

## 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.
- Prague Airport 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.
- Prague Airport 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.
- Prague Airport and the Incheon International Airport Corporation sign a new Memorandum of Understanding regarding their partnership on 22 May 2018.

## 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, Prague Airport celebrates the 50<sup>th</sup> anniversary of the launch of operations of Terminal 1. The final 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 a year.



## 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.
- Prague Airport 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.

## 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. As an innovation, 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.

## 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.

## 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, a.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 the Company wins the BEST BOARD 2017 award from the Czech Institute of Directors for an extraordinary contribution to corporate governance.
- Honey produced by Prague Airport's bees 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.
- Prague Airport, 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 at Václav Havel Airport Prague, offering regular scheduled connections to 114 destinations in 42 countries worldwide, including 10 new places.
- On 31 October 2018, Prague Airport 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.

## **November**

- Vueling confirms the launch of its direct scheduled air connection between Prague and Florence to be operated during the 2019 summer season.

## **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, Prague Airport breaks a historic record. The number of handled passengers a year exceeds the 16 million mark.
- Prague Airport 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, Prague Airport, 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. The campaign lasted one month and comprised approximately 1,000 advertising spaces on New York subway trains and 80 advertising spaces in the subway station vestibule on 53<sup>rd</sup> Street and 5<sup>th</sup> Avenue, right in the centre of Manhattan.

## **Subsequent Events in 2019 until Signing the Annual Report**

### **January**

- 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.

### **February**

- The sole shareholder while exercising the powers of the General Meeting 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, 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 approves the Company's 2019 financial plan, including the investment plan, as per the recommendation of the Company's Board of Directors.

## **March**

- Prague Airport 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 sole shareholder while exercising the powers of the General Meeting of the Company appoints the company PricewaterhouseCoopers Audit, a.s. as an auditor of the Company for the period 2019-2022.

Except for the information mentioned above, there were no other subsequent events with significant impact on the annual report.

## **Outlook for 2019**

In 2019, Prague Airport 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.

## **Investments**

Following 2018's record in terms of the number of handled passengers, Prague Airport 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.

## **Aviation Business**

Prague Airport 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.

## **Non-Aviation Business**

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 and continued optimisation of airport parking options.

## **Safety and Security**

In 2019, as a guarantor of safe, secure and reliable operations, the Company 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 Company's 2019 priority.

## 6. 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, Prague Airport did not provide any information subject to copyright protection under a license or sub-license agreement pursuant to provisions of Section 14a of the Act on Free Access to Information.

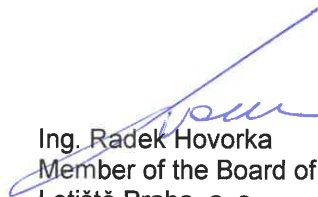
## 7. Responsibility for the Annual Report

The Board of Directors hereby declares that the information included in the 2018 Annual Report corresponds to the real situation and gives a true and fair view of the Company's financial situation, business activities and results of its operations for the previous accounting period and that no fundamental circumstances were omitted that might affect the precise and correct assessment of the performance, activities and economic position of Letiště Praha, a. s.

In Prague on 29 March 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.

## 8. Annexes

- Report of the Board of Directors of the Company on Relations
- Report of the Supervisory Board of the Company
- Report of the Audit Committee of the Company
- Financial Statements of Letiště Praha, a. s., according to the Czech Accounting Standards for the Year Ended on 31 December 2018
  - Balance Sheet as at 31 December 2018
  - Profit and Loss Statement for the Year Ended on 31 December 2018
  - Statement on Changes in Equity for the Year Ended on 31 December 2018
  - Cash-Flow Statement for the Year Ended on 31 December 2018
  - Notes to the Financial Statements for the Year Ended on 31 December 2018
- Independent Auditor's Report to the Shareholder of the Company



## **Report by the Company Statutory Body on Relations between the Controlling Entity and the Controlled Entity and between the Controlled Entity and other Entities Controlled by the Same Controlling Entity**

*Drafted by Letiště Praha, a. s. Board of Directors pursuant to Section 82, Chapter 1 of Act No. 90/2012 Coll., as amended, on Business Corporations and Cooperatives (the Business Corporations Act) for the reference period from 1 January 2018 to 31 December 2018.*

## **SECTION I**

### **CONTROLLING ENTITY, CONTROLLED ENTITY AND OTHER ENTITIES CONTROLLED BY THE SAME CONTROLLING ENTITY**

#### **1. Controlled Entity**

##### **Letiště Praha, a. s.**

With its registered seat at: K letišti 1019/6, Prague 6 - Ruzyně, Post Code: 161 00,  
Company Identification Number: 282 44 532,  
Registered in the Commercial Register administered by the Municipal Court in Prague, Section B,  
Entry 14003

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

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

Letiště Praha, a. s. became directly controlled by the Controlling Entity on 1<sup>st</sup> October 2018, in connection with the merger by acquisition of Český Aeroholding, a.s., Realitní developerská, a.s., Sky Venture a.s. and Whitelines Industries a.s. as companies being acquired and Letiště Praha, a. s. as the acquiring company. As a consequence of the merger by acquisition becoming effective Letiště Praha, a. s. entered in legal status of all acquiring companies including its parent company Český Aeroholding, a.s. The decisive date of the merger by acquisition was 1<sup>st</sup> January 2018.

#### **2. Controlling Entity**

##### **The Ministry of Finance**

With its registered seat at: Letenská 525/15, Malá Strana, Post Code: 118 00,  
Identification Number: 000 06 947

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

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

Until 30<sup>th</sup> September 2018 the Controlled Entity was controlled by Český Aeroholding, a.s.

#### **3. Role of the Controlled Entity**

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

#### **4. Other Entities Controlled by the Same Controlling Entity**

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

##### **1. ČEPRO, a.s.**

With its registered seat at: Dělnická 213/12, Holešovice, Post Code: 170 00 Praha 7,  
Company Identification Number: 601 93 531,

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

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

## **2. Česká exportní banka, a.s.**

With its registered seat at: Praha 1, Vodičkova 34 č.p. 701, Post Code: 111 21,

Company Identification Number: 630 78 333,

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

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

## **3. ČEZ, a. s.**

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

Company Identification Number: 452 74 649,

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

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

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

With its registered seat at: Praha 1, Vodičkova 34/701, Post Code: 111 21

Company Identification Number: 452 79 314

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

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

## **5. GALILEO REAL, k.s.**

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

Company Identification Number: 261 75 291,

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

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

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

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

Company Identification Number: 451 44 419,

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

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

## **7. IMOB a.s.**

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

Company Identification Number: 601 97 901,

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

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

**8. Kongresové centrum Praha, a.s.**

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

Company Identification Number: 630 80 249,

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

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

**9. MERO ČR, a.s.**

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

Company Identification Number: 601 93 468,

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

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

**10. MUFIS a.s.**

With its registered seat at: Praha 1, Jeruzalémská 964/4, Post Code: 110 00,

Company Identification Number: 601 96 696,

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

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

**11. Ormilk, a.s. v likvidaci**

With its registered seat at: Žamberk, Post Code: 564 01,

Company Identification Number: 601 09 092,

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

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

**12. PRISKO a.s.**

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

Company Identification Number: 463 55 901,

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

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

**13. Severočeské mlékárny, a.s. Teplice**

With its registered seat at: Teplice 41503, Libušina 2154,

Company Identification Number: 482 91 749,

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

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

**14. STROJÍRNY TATRA PRAHA, a.s. v likvidaci**

With its registered seat at: Praha 5 - Zličín, K metru 312, Post Code: 155 21,

Company Identification Number: 006 74 311,

Registered in the Commercial Register administered by the Municipal Court in Prague, Section B, Entry 226.

The company focuses primarily on leasing and renting real estate. Its scope of business is outlined in detail in company's Articles of Association. The Company was deleted from the Commercial Register on 23 May 2018.

**15. THERMAL-F, a.s.**

With its registered seat at: Karlovy Vary, I.P.Pavlova 2001/11, Post Code: 360 01,  
Company Identification Number: 254 01 726,  
Registered in the Commercial Register administered by the Regional Court in Plzeň, Section B,  
Entry 813.

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

**16. VIPAP VIDEM KRŠKO d. d.**

With its registered seat at: Tovarniška ulica 18, 8270 Krško, the Republic of Slovenia,  
Company Identification Number: 5971101000,  
Registered in the Business Register administered by the Republic of Slovenia.

The company focuses primarily on production of pulp from wood and other fibrous materials and on production of paper and cardboard. Its scope of business is outlined in detail in company's Articles of Association.

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

With its registered seat at: Praha - Letňany, Beranových 130, Post Code: 199 05,  
Company Identification Number: 000 10 669,  
Registered in the Commercial Register administered by the Municipal Court in Prague, Section B,  
Entry 446.

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

**5. Other Entities Controlled by the Same Controlling Entity****1. Czech Airlines Handling, a.s.**

With its registered seat at: Praha 6, Aviatická 1017/2, Post Code: 160 08,  
Company Identification Number: 256 74 285,  
Registered in the Commercial Register administered by the Municipal Court in Prague  
Section B, Entry 17139.

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

**2. Czech Airlines Technics, a.s.**

With its registered seat at: Praha 6 - Ruzyně, Jana Kašpara 1069/1, Post Code: 160 08,  
Company Identification Number: 271 45 573,  
Registered in the Commercial Register administered by the Municipal Court in Prague, Section B,  
Entry 9307.

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

**3. B. aircraft, a.s.**

With its registered seat at: Praha 6 - Ruzyně, Jana Kašpara 1069/1, Post Code: 161 00,  
Company Identification Number: 242 53 006,  
Registered in the Commercial Register administered by the Municipal Court in Prague, Section B,  
Entry 18408.

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



From the beginning of the reference period to 30<sup>th</sup> September 2018 company Český Aeroholding, a.s. controlled also these corporations:

- ▶ **Letiště Praha, a. s.**
- ▶ **Realitní developerská, a.s.**, with its registered seat at Jana Kašpara 1069/1, Post Code 161 00 Prague 6 – Ruzyně, Company identification number: 242 53 006, registered in the Commercial Register administered by the Municipal Court in Prague, Section B, Entry 9512.

In the consequence of the merger by acquisition becoming effective on 1<sup>st</sup> October 2018, companies Český Aeroholding, a.s. a Realitní developerská, a.s. were erased from the Commercial Register and Letiště Praha, a. s. entered in legal status of these companies being acquired.

## 6. Other Entities Controlled by the Related Entities

### MERO ČR, a.s.

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

### PRISKO a.s.

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

### Výzkumný a zkušební letecký ústav, a.s.

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

### VIPAP VIDEM KRŠKO d.d.

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

### ČEZ, a. s.

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

## SECTION II

### RELATIONS BETWEEN THE CONTROLLING ENTITY AND THE CONTROLLED ENTITY AND THE RELATED ENTITIES

#### 1. Structure of Relations

► The Controlling Entity has the following percentage share in the Related Entities:

Related Entity	Share	Note
ČEPRO, a.s.	100,00 %	
Česká exportní banka, a.s.	84,00 %	During the reference period the Controlling Entity increased its share by 40.32% by transferring shares from the Ministry of Industry and Trade, the Ministry of Foreign Affairs and the Ministry of Agriculture
ČEZ, a.s.	69,78 %	
Exportní garanční a pojišťovací společnost, a.s.	100,00 %	During the reference period the Controlling Entity increased its share by 60% by transferring shares from the Ministry of Industry and Trade, the Ministry of Foreign Affairs and the Ministry of Agriculture
GALILEO REAL, k.s.	100,00 %	
HOLDING Kladno a.s., "v likvidaci"	96,85 %	
IMOB a.s.	100,00 %	
Kongresové centrum Praha, a.s.	54,35 %	
Letiště Praha, a. s.	100 %	As of 1st October 2018 Letiště Praha, a. s. entered into legal status of Český Aeroholding, a.s.
MERO ČR, a.s.	100,00 %	
MUFIS a.s.	49,00 %	
Ormlk, a.s. v likvidaci	46,99 %	
PRISKO a.s.	100,00 %	
Severočeské mlékárny, a.s. Teplice	40,78 %	
STROJÍRNY TATRA PRAHA, a.s. v likvidaci	100,00 %	Company was erased from the Commercial Register on 23rd May 2018
THERMAL-F, a.s.	100,00 %	
VIPAP VIDEM KRŠKO d. d.	96,50 %	
Výzkumný a zkušební letecký ústav, a.s.	100,00 %	

#### 2. Methods and Means of Control

The Controlling Entity owns 100% shares of the Controlled Entity. Control is thus executed primarily through voting rights of the Controlling Entity as the sole shareholder in the capacity of General Meeting of the Controlled Entity. In this way, the Controlling Entity is able to ensure appointments and removals

of its representatives and other parties to/from company statutory bodies and is thus able to influence business activities of the Controlled Entity.

During the reference period, the Controlling Entity had one representative in the Supervisory Board of the Controlled Entity. Concurrently, beyond statutory wording, Statutes of the Controlled Entity entrust the issues listed under Article 13, Chapter 1, Letters dd) - ii) of company Statutes, related primarily to the annual financial plan approvals, debts, provision and acceptance of loans, credits and signature of agreements outside the general business scope, to the authority of the sole shareholder in the capacity of General Meeting. Except as disclosed above, the Controlling Entity used no other methods and means of control.

For the avoidance of doubt, it is stated that the Controlling Entity has no means by which it could exercise decisive influence in other entities controlled by the Controlling Entity, i.e. in the subsidiary corporations, to control it within the meaning of Section 74 1 (1) of the Business Corporations Act, and does not exercise any actual (albeit indirect) control either. At the same time, the Controlled Entity states that neither the Controlling Entity, nor any of its representatives, is a member of any of those subsidiary corporation's bodies nor has it been during the reference period.

### **SECTION III. REFERENCE PERIOD**

The report covers the last accounting period, i.e. the accounting period from 1 January 2018 to 31 December 2018.

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

In the reference period, neither legal actions nor other measures were taken by the Controlled Entity at the initiative or in the interest of the Controlling Entity or the Related Entities concerning assets exceeding 10% of the Controlled Entity's equity (as at 31/12/2017 10% of the Controlled Entity's equity capital was CZK 516 809 thousand.). The Controlled Entity was not prevented from taking actions or making strategic decisions due to the control of the company motivated by the interests or initiatives of the Controlling Entity, except the following:

- ▶ In 2018 Český Aeroholding, a.s., to whose legal status the Controlled Entity has entered into, paid the Controlling Entity the profit share in the amount of CZK 353 721 thousand.

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

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

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

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

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

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

## SECTION VI DAMAGE SETTLEMENT

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

## SECTION VII RELATION CONSEQUENCES ASSESSMENT

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

## **SECTION VIII CONCLUSION**

This report was reviewed and approved by the Board of Directors of the Controlled Entity on 26 March 2019.

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

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

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

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

In Prague, on 26 March 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.



## **Supervisory Board Report for 2018**

## 1. Supervisory Board Meetings

In the course of 2018, the Supervisory Board of the company Letiště Praha, a. s. (hereinafter referred to as "the Company") met at eleven meetings held at the Company's registered office.

## 2. Supervisory Board Members

### Members of the Supervisory Board as of 31 December 2018

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

### Personnel Changes of the Supervisory Board during the Year 2018

As of 1 October 2018, as a result of domestic merger by acquisition of companies Letiště Praha, a. s., Český Aeroholding, a.s., Realitní developerská, a.s., Sky Venture a.s. and Whitelines Industries a.s., number of members of the Supervisory Board has risen from three to six. Sole shareholder in executing powers of the General Meeting of the Company appointed in its resolution as new members of the Supervisory Board Mr. Jan Švejnar and Mr. Ondřej Landa with the effect from 23 October 2018. Subsequently, at the first meeting of the Supervisory Board after the merger, elections of chairman and vice-chairman of the Supervisory Board were held, whereas Mr. Jan Švejnar was elected as the chairman and Mr. Ondřej Landa as the vice-chairman of the Supervisory Board. The last personnel change during the year 2018 was election of Mr. Jiří Hošek, as a member of the Supervisory Board, who was elected by employees of the Company during elections held on 12 and 13 November 2018.

Summary of the changes can be found in the schedule below:

Supervisory Board	Position	Effectiveness of the position	Termination of the position
Petr Minařík	Member	1 March 2015	1 March 2019
	Chairman	2 March 2015	16 November 2018
Petr Šobotník	Member	7 March 2017	effective
	Vice-Chairman	4 April 2017	16 November 2018
Kamil Pomahač	Member	8 June 2017	effective
Jan Švejnar	Member	23 October 2018	
	Chairman	16 November 2018	effective
Ondřej Landa	Member	23 October 2018	
	Vice-Chairman	16 November 2018	effective
Jiří Hošek	Member	13 November 2018	effective

## 3. Work of the Supervisory Board in the Reporting Period

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

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

At its meetings, the Supervisory Board regularly discussed the economic performance of the Company, and performance of agreed financial plan and plan of investments. It also controlled and supervised financial management as well as supervised integrity of accounting and financial reporting systems. The Supervisory Board also reviewed the project of merger by acquisition and related documents and recommended to the Sole Shareholder that it should grant its consent to the project of merger. Subsequently, the Supervisory Board also consulted and gave its recommendations on the proposal of Business and Financial Plan for the Year 2019 and on the Document Terminal Capacity Development.

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

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

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

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

In Prague, 15 March 2019



**Jan Švejnar**

**Chairman of the Supervisory Board of Letiště Praha, a. s.**

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## **Audit Committee Report for 2018**

## 1. Legal Status of Audit Committee

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

Until 30 September 2018 the Committee was a body of the company Český Aeroholding, a.s. (the „CAH”), that was legal predecessor of the company Letiště Praha, a. s. As of 1 October 2018, the AC was established by the company Letiště Praha, a. s. under the provisions of the Articles of Association and the Act on Auditors as a result of domestic merger by acquisition of the company Letiště Praha a. s, as a successor, and companies Český Aeroholding, a.s., Realitní developerská, a.s., Sky Venture a.s. and Whitelines Industries a.s., that ceased to exist without liquidation. The Committee continued with the activities of the CAH audit committee.

## 2. Audit Committee Meetings

In the course of 2018, the Audit Committee met at seven regular meetings on the following days:

- 12 March 2018
- 28 March 2018
- 9 May 2018
- 31 May 2018
- 6 September 2018
- 1 November 2018
- 17 December 2018

Besides the Committee members, the meetings held in 2018 were also attended by Mr. Radek Hovorka, Vice-Chairman of the LP Board of Directors (VCh/BoD). Other regular participants were Mr. Petr Doberský (Director/Accounting, Taxes and Financial Relations) and Mr. Filip Zelingr (Director/Audit, Risk and Compliance, LP). Representatives of PricewaterhouseCoopers Audit, s.r.o., (the “PwC”), that was appointed as an external auditor for the period 2016, 2017 and 2018 by the sole shareholder in exercising the powers of the General Meeting, were invited to discuss topics and activities related to the conduct of the external audit.

## 3. Members of the Audit Committee

### Members of the Audit Committee as of 31 December 2018

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

Mr. Petr Šobotník, Ms. Andrea Lukasíková and Mr. Ivo Středa were appointed as members of the Committee by the sole shareholder of the LP with the effect from 23 October 2018. On 1 November 2018 the members of the AC elected Mr. Šobotník as the Chairman of the Committee and Ms. Lukasíková was elected as the Vice-Chairman. There were no other personnel changes in the Audit Committee during the year 2018.



#### 4. Work of the Audit Committee in the Reporting Period

In 2018, the Audit Committee worked fully in compliance with applicable legal regulations, particularly with the Act on Auditors, the Articles of Association, the Rules of Procedure of the Audit Committee and the approved Plan of Activities of the Audit Committee for 2018.

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

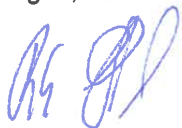
- Drafting of the Audit Committee's Activity Report for 2017 addressed to the sole shareholder (Annex of the CAH Annual Report for 2017);
- Monitoring of drafting process of financial statements and consolidated financial statements on a continuous basis (discussions with the representatives of the Company management);
- Monitoring of process of statutory audit of financial statements and consolidated financial statements on a continuous basis (external auditor's representatives (PwC) presentations of the audit process of the financial statements, and discussions with external auditor) and final assessment of compulsory audit outcome;
- Evaluation of the external auditor (especially in terms of the auditor's independence and quality of the audit);
- Monitoring of effectiveness of internal control system, of internal audit and risk management of the Company;
- Oversight of performance, independence and objectivity of the internal audit;
- Approval regarding provision of "other non-audit services" pursuant to the Act on Auditors;
- Discussing Risk Management Reports within the CAH/LP Group;
- Discussions regarding Quarterly Reports on Changes in Significant Risks;
- Discussion on Internal Audit Plan for 2018 and its continuous fulfilment (including adopted changes and review of adequacy of the Internal Audit Department's resources);
- Discussions on results of conducted internal audits and on implementation of adopted corrective measures;
- Approval of Internal Audit Plan for 2019;
- Monitoring of the process and discussion over the results of selection procedure of the statutory auditor of the Company for the period of 2019 to 2022 including recommendation on the selection of the auditor to the Supervisory Board with relevant arguments (the Chairman of the Committee was a member of select committee);
- Information on key developments in the CAH/LP Group.

#### 5. Conclusion

The Plan of Activities of the Audit Committee for the year 2018 was fully implemented. The Audit Committee regularly informed the Supervisory Board and, if applicable, it put forward its recommendations on the issues that were discussed during the AC meetings through the Chairman of the AC, who took part in the Supervisory Board meetings upon invitation.

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

In Prague, 13 March 2019



**Petr Šobotník**

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

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## **Financial Statements**

**For the Year Ended 31 December 2018**

**LETIŠTĚ PRAHA, A. S.**  
**BALANCE SHEET**  
**AS AT 31.12.2018 (IN THOUSAND CZK)**

		31.12.2018			1.1.2018
		Gross	Adjustment	Net	Net
	<b>TOTAL ASSETS</b>	<b>56,908,034</b>	<b>(20,570,408)</b>	<b>36,337,626</b>	<b>35,121,733</b>
<b>B.</b>	<b>Fixed assets</b>	<b>53,724,633</b>	<b>(20,550,177)</b>	<b>33,174,456</b>	<b>32,272,048</b>
<b>B.I.</b>	<b>Intangible fixed assets</b>	<b>931,895</b>	<b>(758,649)</b>	<b>173,246</b>	<b>138,639</b>
2.	Royalties	913,344	(758,634)	154,710	124,337
2.1.	Software	850,375	(731,583)	118,792	88,203
2.2.	Other royalties	62,969	(27,051)	35,918	36,134
4.	Other intangible fixed assets	3,307	-	3,307	2,751
5.	Advances paid and intangible fixed assets in the course of construction	15,244	(15)	15,229	11,551
5.2.	Intangible fixed assets in the course of construction	15,244	(15)	15,229	11,551
<b>B.II.</b>	<b>Tangible fixed assets</b>	<b>47,742,721</b>	<b>(18,656,820)</b>	<b>29,085,901</b>	<b>28,637,527</b>
1.	Land and constructions	39,518,973	(13,077,363)	26,441,610	26,662,870
1.1.	Land	16,576,792	-	16,576,792	16,570,884
1.2.	Constructions	22,942,181	(13,077,363)	9,864,818	10,091,986
2.	Equipment	6,822,647	(5,466,289)	1,356,358	1,201,433
3.	Adjustment to acquired fixed assets	216,274	(111,742)	104,532	118,951
4.	Other tangible fixed assets	11,778	(858)	10,920	10,568
4.3.	Tangible fixed assets - other	11,778	(858)	10,920	10,568
5.	Advances paid and tangible fixed assets in the course of construction	1,173,049	(568)	1,172,481	643,705
5.2.	Tangible fixed assets in the course of construction	1,173,049	(568)	1,172,481	643,705
<b>B.III.</b>	<b>Long-term investments</b>	<b>5,050,017</b>	<b>(1,134,708)</b>	<b>3,915,309</b>	<b>3,495,882</b>
1.	Investments - subsidiaries and controlling party	5,047,169	(1,134,708)	3,912,461	3,493,183
7.	Other long-term investments	2,848	-	2,848	2,699
7.1.	Long-term investments - other	2,848	-	2,848	2,699
<b>C.</b>	<b>Current assets</b>	<b>3,146,232</b>	<b>(20,231)</b>	<b>3,126,001</b>	<b>2,813,662</b>
<b>C.I.</b>	<b>Inventories</b>	<b>42,259</b>	<b>(7,223)</b>	<b>35,036</b>	<b>28,999</b>
1.	Raw materials	36,578	(7,223)	29,355	24,473
2.	Work in progress and semi-finished products	513	-	513	-
3.	Finished goods and goods for resale	3,372	-	3,372	3,652
3.1.	Finished goods	43	-	43	39
3.2.	Goods for resale	3,329	-	3,329	3,613
4.	Immature livestock	788	-	788	742
5.	Advances paid for inventory	1,008	-	1,008	132
<b>C.II.</b>	<b>Receivables</b>	<b>1,128,733</b>	<b>(13,008)</b>	<b>1,115,725</b>	<b>1,029,751</b>
2.	Short-term receivables	1,128,733	(13,008)	1,115,725	1,029,751
2.1.	Trade receivables	963,834	(10,877)	952,957	910,278
2.4.	Receivables - other	164,899	(2,131)	162,768	119,473
2.4.3.	Taxes - receivables from the state	72,758	-	72,758	62,899
2.4.4.	Short-term advances paid	53,547	-	53,547	38,367
2.4.5.	Estimated receivables	34,008	-	34,008	15,844
2.4.6.	Other receivables	4,586	(2,131)	2,455	2,363
<b>C.IV.</b>	<b>Cash</b>	<b>1,975,240</b>	<b>-</b>	<b>1,975,240</b>	<b>1,754,912</b>
1.	Cash in hand	4,637	-	4,637	6,250
2.	Cash at bank	1,970,603	-	1,970,603	1,748,662
<b>D.I.</b>	<b>Prepayments and accrued income</b>	<b>37,169</b>	<b>-</b>	<b>37,169</b>	<b>36,023</b>
1.	Prepaid expenses	31,730	-	31,730	35,523
3.	Accrued income	5,439	-	5,439	500

**LETIŠTĚ PRAHA, A. S.**  
**BALANCE SHEET**  
**AS AT 31.12.2018 (IN THOUSAND CZK)**

		31.12.2018	1.1.2018
	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>36,337,626</b>	<b>35,121,733</b>
<b>A.</b>	<b>Equity</b>	<b>33,292,700</b>	<b>30,231,609</b>
<b>A.I.</b>	<b>Share capital</b>	<b>2,512,227</b>	<b>2,512,227</b>
1.	Share capital	2,512,227	2,512,227
<b>A.II.</b>	<b>Share premium and capital contributions</b>	<b>24,532,961</b>	<b>24,532,784</b>
2.	Capital contributions	24,532,961	24,532,784
2.1.	<i>Other capital contributions</i>	24,532,034	24,532,006
2.2.	<i>Assets and liabilities revaluation</i>	927	778
<b>A.IV.</b>	<b>Retained earnings / Accumulated losses</b>	<b>2,832,877</b>	<b>3,186,598</b>
1.	Retained earnings	2,832,877	3,186,598
<b>A.V.</b>	<b>Profit / (loss) for the current period</b>	<b>3,414,635</b>	-
<b>B.+C.</b>	<b>Liabilities</b>	<b>3,002,056</b>	<b>4,830,157</b>
<b>B.</b>	<b>Provisions</b>	<b>128,798</b>	<b>182,743</b>
2.	Income tax provision	84,678	142,614
4.	Other provisions	44,120	40,129
<b>C.</b>	<b>Liabilities</b>	<b>2,873,258</b>	<b>4,647,414</b>
<b>C.I.</b>	<b>Long-term liabilities</b>	<b>854,094</b>	<b>1,527,524</b>
1.	Debentures and bonds issued	248,766	247,912
1.2.	<i>Other debentures and bonds issued</i>	248,766	247,912
2.	Liabilities due to financial institutions	-	714,286
4.	Trade payables	258,820	202,252
8.	Deferred tax liability	346,508	363,074
<b>C.II.</b>	<b>Short-term liabilities</b>	<b>2,019,164</b>	<b>3,119,890</b>
1.	Debentures and bonds issued	6,806	6,806
1.2.	<i>Other debentures and bonds issued</i>	6,806	6,806
2.	Liabilities due to financial institutions	714,286	1,428,571
3.	Short-term advances received	18,677	13,503
4.	Trade payables	470,039	365,270
6.	Liabilities - subsidiaries and controlling party	-	920,087
8.	Liabilities - other	809,356	385,653
8.3.	<i>Liabilities to employees</i>	90,307	75,030
8.4.	<i>Liabilities for social security and health insurance</i>	53,773	43,647
8.5.	<i>Taxes and state subsidies payable</i>	20,532	16,833
8.6.	<i>Estimated payables</i>	642,227	247,860
8.7.	<i>Other liabilities</i>	2,517	2,283
<b>D.</b>	<b>Accruals and deferred income</b>	<b>42,870</b>	<b>59,967</b>
1.	Accrued expenses	37,756	54,517
2.	Deferred income	5,114	5,450



**LETIŠTĚ PRAHA, A. S.**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR 2018 (IN THOUSAND CZK)**

	2018
I. Sales of products and services	8,312,837
II. Sales of goods	26,210
A. Cost of sales	1,432,800
1. Cost of goods sold	15,225
2. Raw materials and consumables used	486,037
3. Services	931,538
B. Changes in inventories of finished goods and work in progress	(242)
C. Own work capitalised	(22,962)
D. Staff costs	2,156,767
1. Wages and salaries	1,549,999
2. Social security, health insurance and other social costs	606,768
2.1. <i>Social security and health insurance costs</i>	523,483
2.2. <i>Other costs</i>	83,285
E. Value adjustments in operating activities	1,095,256
1. Value adjustments of fixed assets	1,092,798
1.1. <i>Depreciation, amortisation and write off of fixed assets</i>	1,126,713
1.2. <i>Provision for impairment of fixed assets</i>	(33,915)
2. Provision for impairment of inventories	1,159
3. Provision for impairment of receivables	1,299
III. Operating income - other	101,897
1. Sales of fixed assets	7,062
2. Sales of raw materials	56,158
3. Other operating income	38,677
F. Operating expenses - other	151,603
1. Net book value of fixed assets sold	55
2. Material sold	52,287
3. Taxes and charges from operating activities	14,163
4. Operating provisions and complex prepaid expenses	3,991
5. Other operating expenses	81,107
* <b>Operating result</b>	<b>3,627,722</b>
IV. Income from sales of long-term investments - shares	89,892
1. Income from sales of investments - subsidiaries or controlling party	89,892
VI. Interest and similar income	5,468
2. Other interest and similar income	5,468
I. Value adjustments and provisions from financial operations	(419,278)
J. Interest and similar expenses	16,281
1. Interest and similar income - subsidiaries or controlling party	517
2. Other interest and similar income	15,764
K. Other financial expenses	3,951
* <b>Financial result</b>	<b>494,406</b>
** <b>Net profit / (loss) before taxation</b>	<b>4,122,128</b>
L. Tax on profit or loss	707,493
1. Tax on profit or loss - current	724,059
2. Tax on profit or loss - deferred	(16,566)
** <b>Net profit / (loss) after taxation</b>	<b>3,414,635</b>
*** <b>Net profit / (loss) for the financial period</b>	<b>3,414,635</b>
* <b>Net sales for the financial period</b>	<b>8,536,304</b>



**LETIŠTĚ PRAHA, A. S.**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR 2018 (IN THOUSAND CZK)**

	2018
Cash flows from operating activities	
Net profit before tax	4,122,128
A.1 Adjustments for non-cash movements	598,335
A.1.1 Depreciation and amortisation of fixed assets and receivables written off	1,130,133
A.1.2 Change in provisions	(446,743)
A.1.3 (Profit)/loss from disposal of fixed assets	(7,007)
A.1.4 Dividend income	(89,892)
A.1.5 Net interest expense/(income)	10,813
A.1.6 Other non-cash movements	1,031
<b>A*</b> Net cash flow from operating activities before tax and changes in working capital	4,720,463
A.2 Working capital changes	142,477
A.2.1 Change in receivables and prepayments	(94,679)
A.2.2 Change in short-term payables and accruals	244,244
A.2.3 Change in inventories	(7,088)
<b>A**</b> Net cash flow from operating activities before tax	4,862,940
A.4 Interest received	5,468
A.5 Income tax paid	(781,994)
<b>A***</b> Net cash flow from operating activities	4,086,414
Cash flows from investing activities	
B.1 Acquisition of fixed assets	(1,252,617)
B.2 Proceeds from sale of fixed assets	7,062
B.4. Net investment cash flows	89,892
<b>B***</b> Net cash flow from investing activities	(1,155,663)
Cash flows from financing activities	
C.1 Change in long- and short-term liabilities	(2,341,067)
C.2 Changes in equity	(353,721)
C.2.6 Dividends paid	(353,721)
C.3 Interest paid	(15,635)
<b>C***</b> Net cash flow from financing activities	(2,710,423)
Net increase/(decrease) in cash and cash equivalents	220,328
Cash and cash equivalents at the beginning of the year	1,754,912
Cash and cash equivalents at the end of the year	1,975,240

**LETIŠTĚ PRAHA, A. S.**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR 2018 (IN THOUSAND CZK)**

	Share capital	Share premium and capital contributions	Gains or losses from the revaluation	Retained earnings and profit or loss for the current period	Total
Balance as at 31 December 2016	2,512,227	35	-	1,659,640	4,171,902
Dividend paid	-	-	-	(1,050,000)	(1,050,000)
Net profit for the period	-	-	-	2,046,186	2,046,186
Balance as at 31 December 2017	2,512,227	35	-	2,655,826	5,168,088
Impact of merger	-	24,531,971	778	530,772	25,063,521
Balance as at 1 January 2018	2,512,227	24,532,006	778	3,186,598	30,231,609
Assets acquired free of charge	-	28	-	-	28
Revaluation of securities	-	-	149	-	149
Dividend paid	-	-	-	(353,721)	(353,721)
Net profit for the period	-	-	-	3,414,635	3,414,635
<b>Zůstatek k 31. prosinci 2018</b>	<b>2,512,227</b>	<b>24,532,034</b>	<b>927</b>	<b>6,247,512</b>	<b>33,292,700</b>

**Notes to the Financial Statements**  
**For the Year Ended 31 December 2018**

## 1. General Information

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

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., a Czech Airlines Technics, a.s. became subsidiaries of Letiště Praha, a. s. The decisive date of the merger was 1 January 2018.

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

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

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

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

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

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

## 2. Accounting Principles

### a) Basis of Preparation of Financial Statements

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

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

### b) Intangible Fixed Assets

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

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

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

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

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

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

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

### c) Tangible Fixed Assets

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

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

Tangible fixed assets manufactured internally are recorded at own cost.

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

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



## 2. Accounting Principles (continued)

### c) Tangible Fixed Assets (continued)

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

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

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

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

### d) Long-term investments

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

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

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

### e) Inventories

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

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

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

## **2. Accounting Principles (continued)**

### **f) Receivables**

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

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

### **g) Cash Flow**

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

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

### **h) Foreign Currency Translations**

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

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

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

### **i) Revenue and Expense Recognition**

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

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

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

### **j) Provisions**

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

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

### **k) Employee Benefits**

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

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

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

## 2. Accounting Principles (continued)

### l) Liabilities

Trade payables are recorded in their nominal value.

### m) Bonds

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

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

### n) Loans

Loans are stated at their nominal value.

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

### o) Interest Costs

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

All other interest costs are expensed on an accrual basis.

### p) Taxation

#### Depreciation of Fixed Assets for Tax Purposes

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

#### Current Tax Payable

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

#### Deferred Taxation

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

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

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

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

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

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

## **2. Accounting Principles (continued)**

### **q) Estimates**

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

### **r) Related Parties**

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

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

### **s) Equity**

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

### **t) Comparatives**

As a result of the merger by acquisition disclosed in Note 1, the comparative figures in the balance sheet represent the pro-forma opening balance sheet as at the decisive date of the merger, i.e. as at 1 January 2018. The comparatives are not included in the in the profit and loss account and in the cash flow statement in accordance with article 4 (7) of Decree 500/2002 Coll., because the prior year information would not be comparable. All the information about profit and loss account and cash flow statement for the period ended 31 December 2017 is available in the financial statements as at 31 December 2018.

### **u) Subsequent Events**

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

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

## **3. Basis for Preparation of Financial Statements**

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

#### 4. Intangible Fixed Assets

Cost CZK '000	Software	Other royalties	Other intangible fixed assets	Intangible fixed assets in the course of construction	Total
<b>1 January 2017</b>	<b>19,553</b>	<b>27,910</b>	<b>3,179</b>	<b>806</b>	<b>51,448</b>
Addition/transfers	6,327	5,212	1,206	372	13,117
Disposals	(51)	-	(1,634)	(46)	(1,731)
<b>31 December 2017</b>	<b>25,829</b>	<b>33,122</b>	<b>2,751</b>	<b>1,132</b>	<b>62,834</b>
Impact of merger	758,389	18,365	-	10,419	787,173
<b>1 January 2018</b>	<b>784,218</b>	<b>51,487</b>	<b>2,751</b>	<b>11,551</b>	<b>850,007</b>
Addition/transfers	66,988	11,482	2,042	3,693	84,205
Disposals	(831)	-	(1,486)	-	(2,317)
<b>31 December 2018</b>	<b>850,375</b>	<b>62,969</b>	<b>3,307</b>	<b>15,244</b>	<b>931,895</b>

Accumulated amortisation and impairment CZK '000	Software	Other royalties	Other intangible fixed assets	Intangible fixed assets in the course of construction	Total
<b>1 January 2017</b>	<b>16,886</b>	<b>6,403</b>	-	-	<b>23,289</b>
Addition/transfers	1,465	6,659	-	-	8,124
Disposals	(51)	-	-	-	(51)
Increase of impairment	261	-	-	-	261
<b>31 December 2017</b>	<b>18,561</b>	<b>13,062</b>	-	-	<b>31,623</b>
Impact of merger	677,454	2,291	-	-	679,745
<b>1 January 2018</b>	<b>696,015</b>	<b>15,353</b>	-	-	<b>711,368</b>
Additions	36,873	11,698	-	-	48,571
Disposals	(831)	-	-	-	(831)
Increase/decrease of impairment	(474)	-	-	15	(459)
<b>31 December 2018</b>	<b>731,583</b>	<b>27,051</b>	-	<b>15</b>	<b>758,649</b>

Net book value CZK '000	Software	Other royalties	Other intangible fixed assets	Intangible fixed assets in the course of construction	Total
<b>31 December 2017</b>	<b>7,268</b>	<b>20,060</b>	<b>2,751</b>	<b>1,132</b>	<b>31,211</b>
Impact of merger	80,935	16,074	-	10,419	107,428
<b>1 January 2018</b>	<b>88,203</b>	<b>36,134</b>	<b>2,751</b>	<b>11,551</b>	<b>138,639</b>
<b>31 December 2018</b>	<b>118,792</b>	<b>35,918</b>	<b>3,307</b>	<b>15,229</b>	<b>173,246</b>

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



## 5. Tangible Fixed Assets

Cost CZK '000	Land	Constructions	Equipment	Other tangible fixed assets	Tangible fixed assets in the course of construction	Adjustment to acquired fixed assets	Total
<b>1 January 2017</b>	-	1,389,120	5,217,345	67	149,858	-	<b>6,756,390</b>
Addition/transfers	-	316,679	268,051	-	47,497	-	632,227
Disposals	-	-	(180,879)	-	(1,120)	-	(181,999)
<b>31 December 2017</b>	-	<b>1,705,799</b>	<b>5,304,517</b>	<b>67</b>	<b>196,235</b>	-	<b>7,206,618</b>
Impact of merger	16,570,884	20,745,999	1,222,361	11,090	447,470	216,274	39,214,078
<b>1 January 2018</b>	<b>16,570,884</b>	<b>22,451,798</b>	<b>6,526,878</b>	<b>11,157</b>	<b>643,705</b>	<b>216,274</b>	<b>46,420,696</b>
Additions/transfers	5,908	491,920	465,335	621	529,397	-	1,493,181
Disposals	-	(1,537)	(169,566)	-	(53)	-	(171,156)
<b>31 December 2018</b>	<b>16,576,792</b>	<b>22,942,181</b>	<b>6,822,647</b>	<b>11,778</b>	<b>1,173,049</b>	<b>216,274</b>	<b>47,742,721</b>

Accumulated depreciation and impairment CZK '000	Land	Constructions	Equipment	Other tangible fixed assets	Tangible fixed assets in the course of construction	Adjustment to acquired fixed assets	Total
<b>1 January 2017</b>	-	259,990	4,111,041	-	-	-	<b>4,371,031</b>
Addition/transfers	-	94,449	253,495	-	-	-	347,944
Disposals	-	-	(180,879)	-	-	-	(180,879)
Increase of impairment	-	2,203	-	-	-	-	2,203
<b>31 December 2017</b>	-	<b>356,642</b>	<b>4,183,657</b>	-	-	-	<b>4,540,299</b>
Impact of merger	-	12,003,170	1,141,788	589	-	97,323	13,242,870
<b>1 January 2018</b>	-	<b>12,359,812</b>	<b>5,325,445</b>	<b>589</b>	-	<b>97,323</b>	<b>17,783,169</b>
Additions/transfers	-	753,355	310,167	269	-	14,419	1,078,210
Disposals	-	(1,537)	(169,566)	-	-	-	(171,103)
Increase/decrease of impairment	-	(34,267)	243	-	568	-	(33,456)
<b>31 December 2018</b>	-	<b>13,077,363</b>	<b>5,466,289</b>	<b>858</b>	<b>568</b>	<b>111,742</b>	<b>18,656,820</b>

Net book value CZK '000	Land	Constructions	Equipment	Other tangible fixed assets	Tangible fixed assets in the course of construction	Adjustment to acquired fixed assets	Total
<b>31 December 2017</b>	-	1,349,157	1,120,860	67	196,235	-	<b>2,666,319</b>
Impact of merger	16,570,884	8,742,829	80,573	10,501	447,470	118,951	25,971,208
<b>1 January 2018</b>	<b>16,570,884</b>	<b>10,091,986</b>	<b>1,201,433</b>	<b>10,568</b>	<b>643,705</b>	<b>118,951</b>	<b>28,637,527</b>
<b>31 December 2018</b>	<b>16,576,792</b>	<b>9,864,818</b>	<b>1,356,358</b>	<b>10,920</b>	<b>1,172,481</b>	<b>104,532</b>	<b>29,085,901</b>

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

The Company has no pledged assets as at 31 December 2018 and 1 January 2018.

As at 31 December 2018, land with a value of CZK 4,132,756 thousand was partly encumbered by easement (CZK 3,229,587 thousand as at 1 January 2018). However, the easements only related to an immaterial area of the land involved.

## 5. Tangible Fixed Assets (continued)

Based on an impairment review of construction (with respect to their potential use either for its own purposes or for rent), the Company recorded an impairment of selected buildings, which equalled CZK 526,745 thousand as at 31 December 2018 (CZK 561,013 thousand as at 1 January 2018).

## 6. Investments in Subsidiaries

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

As at 1 January 2018 CZK '000	Acquisition date	Acquisition cost	Share in %	Net profit in 2017	Equity
Czech Airlines Handling, a.s. (registered office: Praha 6, Aviatická 1017/2, post code 160 08)	26 October 2011	1,431,169	100	89,892	739,495
Czech Airlines Technics, a.s. (registered office: Praha 6 – Ruzyně, Jana Kašpara 1069/1, post code 160 08)	13 April 2012	1,085,000	100	37,905	975,200
B. aircraft, a.s. (registered office: Praha 6 – Ruzyně, Jana Kašpara 1069/1, post code 161 00)	27 November 2012	2,531,000	100	86,483	2,489,408
<b>Total</b>		<b>5,047,169</b>			

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

Management of the Company performed an impairment review of the investments in subsidiaries in 2018.

Based on the current business development of Czech Airlines Handling, a.s. and based on the probable future development scenarios the impairment was decreased by CZK 133,255 thousand as at 31 December 2018.

Based on the current business development of Czech Airlines Technics, a.s. and based on the probable future scenarios, the impairment was increased by CZK 88,852 thousand as at 31 December 2018.

Based on the current business development of B. aircraft, a.s. and based on the probable future development scenarios the impairment was decreased by CZK 374,875 thousand as at 31 December 2018.

## 6. Investments in Subsidiaries (continued)

The impairment to investments in subsidiaries as at 31 December 2018 equalled CZK 1,134,708 thousand (CZK 1,553,986 thousand as at 1 January 2018).

## 7. Inventories

A provision for obsolete and slow moving inventory was recorded in the amount of CZK 7,223 thousand as at 31 December 2018 (CZK 6,172 thousand as at 1 January 2018).

## 8. Receivables

CZK '000		31 December 2018	1 January 2018
<b>Short-term receivables</b>			
Trade receivables	- current	800,736	838,248
	- overdue	163,098	83,579
Other receivables	- current	162,768	119,469
	- overdue	2,131	56
<b>Short-term receivables total</b>		<b>1,128,733</b>	<b>1,041,352</b>
Allowance for doubtful receivables		(13,008)	(11,601)
<b>Net short-term receivables</b>		<b>1,115,725</b>	<b>1,029,751</b>

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

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

## 9. Equity

### Authorised and issued Share Capital

	31 December 2018		1 January 2018	
	No.	Carrying value	No.	Carrying value
	(pcs)	(CZK '000)	(pcs)	(CZK '000)
Ordinary shares in the nominal value of CZK 100 each, fully paid	25,122,271	2,512,227	25,122,271	2,512,227

Český Aeroholding, a.s. had been the sole shareholder of the Company until 30 September 2018. Since 1 October 2019 the sole shareholder of the Company has been the Ministry of Finance, as the central State administration body, representing the Czech Republic.

As a result of the merger by acquisition with the decisive date of merger as at 1 January 2018 the Company became the successor company of the merging companies Český Aeroholding, a.s., Realitní Developerská, a.s., Sky Venture a.s. a Whitelines Industries a.s. The following equity adjustments were made in the pro-forma opening balance sheet of the Company:

- shares issued by the merging companies held by other merging companies were excluded against equity in their net book value;
- closing balance of the share capital of merging companies as at 31 December 2017 was transferred to the equity of the successor company as disclosed in detail in the notes to the pro-forma opening balance sheet published in the Commercial Register.



## 9. Equity (continued)

The General Meeting of Shareholders of Český Aeroholding, a.s. held on 1 June 2018 approved the distribution of CZK 353,721 thousand from the 2017 profit of Český Aeroholding, a.s. to the sole shareholder (Ministry of Finance) in the form of a dividend. The remaining part of 2017 profit of Český Aeroholding, a.s. and the 2017 profits/losses of the Company and of other merging companies that ceased to exist as a result of the merger were transferred to the retained earnings of the Company.

Until the date of preparation of these financial statements, the Company has not proposed distribution of the profit earned in 2018.

## 10. Provision

CZK '000	Income tax	Legal disputes and other business risks	Employee benefits and remuneration	Total
<b>Opening balance as at 1 January 2017</b>	<b>73,945</b>	<b>737</b>	<b>19,725</b>	<b>94,407</b>
Charge for the year	501,975	400	13,956	516,331
Reversed	-	(284)	-	(284)
Utilized	(73,945)	(44)	(14,419)	(88,408)
Income tax advances	(385,091)	-	-	(385,091)
<b>Closing balance as at 31 December 2017</b>	<b>116,884</b>	<b>809</b>	<b>19,262</b>	<b>136,955</b>
Impact of merger	25,730	12,426	7,632	45,788
<b>Opening balance as at 1 January 2018</b>	<b>142,614</b>	<b>13,235</b>	<b>26,894</b>	<b>182,743</b>
Charge for the year	718,303	-	21,434	739,737
Reversed	-	(108)	-	(108)
Utilized	(142,614)	-	(17,335)	(159,949)
Income tax advances	(633,625)	-	-	(633,625)
<b>Closing balance as at 31 December 2018</b>	<b>84,678</b>	<b>13,127</b>	<b>30,993</b>	<b>128,798</b>

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

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

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

## 11. Payables

CZK '000	31 December 2018	1 January 2018
<b>Short-term payables</b>		
Trade payables - current	441,166	357,796
- overdue	28,873	7,474
- of which payables within the consolidation group	999	799
<b>Trade payables total</b>	<b>470,039</b>	<b>365,270</b>
Short-term advances received	18,677	13,503
Bonds issued	6,806	6,806
Liabilities due to financial institutions	714,286	1,428,571
Liabilities - subsidiaries and controlling party	-	920,087
Other liabilities - current	809,356	385,653
- of which payables within the consolidation group	9,128	7,696
<b>Short-term liabilities total</b>	<b>2,019,164</b>	<b>3,119,890</b>
<b>Long-term liabilities</b>		
Trade payables	258,820	202,252
- of which payables within the consolidation group	7,676	6,663
Bonds issued	248,766	247,912
Liabilities due to financial institutions	-	714,286
Deferred tax liability	347,373	363,074
<b>Long-term liabilities total</b>	<b>854,959</b>	<b>1,527,524</b>
<b>Short-term and long-term liabilities total</b>	<b>2,874,123</b>	<b>4,647,414</b>

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

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

Short-term liabilities from bonds issued as at 31 December 2018 also include the part of interest relating to long-term bonds that is due in 2019.

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

Estimated payables as at 31 December 2018 mainly include the expenses related to marketing incentives for airlines in the amount of CZK 230,731 thousand (CZK 68,821 thousand as at 1 January 2018), unbilled acquisition of fixed assets in the amount of CZK 240,727 thousand (CZK 48,536 thousand as at 1 January 2018), the expenses related to untaken vacation, quarterly and annual employees' bonuses in the amount of CZK 49,622 thousand (CZK 40,892 thousand as at 1 January 2018), unsettled donations to municipalities in the amount of CZK 47,938 thousand (CZK 33,524 thousand as at 1 January 2018), and other unbilled operating expenses.

## 11. Payables (continued)

### a) Bonds Issued

CZK '000	31 December 2018	1 January 2018
Bonds due within 1 year	6,806	6,806
Bonds due in 1 - 5 years	248,766	247,912
<b>Bonds issued total</b>	<b>255,572</b>	<b>254,718</b>

Issued bonds outstanding as at 31 December 2018 and 1 January 2018:

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

In 2018, financial expenses related to the issued bonds equalled CZK 13,105 thousand.

### b) Loans and Other Debt

CZK '000	31 December 2018	1 January 2018
Bank loan - short-term part	714,286	1,428,571
- long-term part	-	714,286
<b>Bank loans total</b>	<b>714,286</b>	<b>2,142,857</b>
Short term intercompany loans	-	920,087
- of which <i>principal</i>	-	920,000
<i>accrued interest</i>	-	87
<b>Loans total</b>	<b>714,286</b>	<b>3,062,944</b>

The Company has a bank loan from Komerční banka, a.s. (KB). This bank loan has a fixed interest rate which is derived from the Company's rating. 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.

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

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

On 31 August 2017, the Company concluded framework loan agreements with B. aircraft, a.s. and Czech Airlines Handling, a.s. Based on these agreements the Company drew a loan in the total amount of CZK 920,000 thousand on 12 December 2017. These intercompany loans have a fixed interest rate equalling 0.17% p.a. and were fully paid in 2018.

Interest expenses related to the intercompany loans equalled CZK 517 thousand.



## 12. Other Liabilities

Accrued expenses as at 31 December 2018 include unbilled acquisition of fixed assets in the amount of CZK 23,582 thousand (CZK 35,791 thousand as at 1 January 2018).

Accrued expenses relating to the companies within the consolidation group as at 31 December 2018 equalled CZK 323 thousand (CZK 47 thousand as at 1 January 2018).

Deferred income mainly includes accrued rent and parking revenues.

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

Deferred income relating to the companies within the consolidation group as at 31 December 2018 equalled CZK 92 thousand (CZK 141 thousand as at 1 January 2018).

## 13. Income Tax

The income tax expense analysis:

CZK '000	2018
Current tax expense	718,303
Adjustment of prior year tax expense based on final CIT return	5,756
Deferred tax expense/(revenue)	(16,566)
<b>Total income tax expense</b>	<b>707,493</b>

The deferred tax liability can be analysed as follows:

CZK '000	31 December 2018	1 January 2018
<b>Deferred tax liability arising from:</b>		
Difference between accounting and tax net book value of fixed assets	(467,875)	(487,403)
<b>Deferred tax asset arising from:</b>		
Provision and estimated payables	17,811	15,394
Allowances and other temporary differences	103,556	108,935
<b>Net deferred tax liability</b>	<b>(346,508)</b>	<b>(363,074)</b>

## 14. Revenue Analysis

Revenues from the main activities:

CZK '000	2018
Air traffic operations – mainly airline fees	5,746,928
Commercial and other rent	1,530,574
Other revenues (parking, VIP lounges, restaurants)	1,061,545
<b>Total</b>	<b>8,339,047</b>

All revenues are generated in the Czech Republic.

## 15. Employees

Staff costs in 2018:

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

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

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

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

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

In 2018, the members of the Supervisory Board, the members of the Board of Directors and the members of the Audit Committee received regular monthly remuneration in accordance with applicable agreements, which were approved by the Ministry of Finance (and the General Meeting of Shareholders of Český Aeroholding, a.s. as the sole shareholder of Letiště Praha, a. s. in the period until 30 September 2018). In 2018 the members of the Board of Directors further received a remuneration based on the fulfilment of assigned annual and medium-term KPIs.

Except for the benefits mentioned above, no other financial or non-financial benefits were provided in 2018 to the founder, members of statutory and supervisory bodies, Audit Committee or the Company's management.

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

## 16. Related Party Transactions

Purchases and sales within the consolidation group:

	2018	
CZK '000	Purchases / Interest	Sales
Czech Airlines Handling, a.s.	10,400	251,496
Czech Airlines Technics, a.s.	2,847	190,845
B. aircraft, a.s.	292	2,114

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

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

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

## 17. Fees Paid and Payable to the Audit Company

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

## 18. Commitments

As at 31 December 2018 the Company had contracted investment commitments in total amount of CZK 2,074,630 thousand (CZK 1,003,724 thousand as at 1 January 2018).

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

## 19. Contingent Liabilities

Management of the Company is not aware of any contingent liabilities as at 31 December 2018.

## 20. Cash Flow Statement

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

CZK '000	31 December 2018	1 January 2018
Cash in hand, vouchers and cash in transit	4,637	6,250
Cash at bank	1,970,603	1,748,662
<b>Total</b>	<b>1,975,240</b>	<b>1,754,912</b>

## 21. Subsequent Events

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.

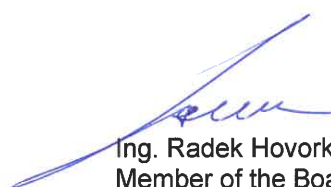
In 2019, the number of the Board of Directors' members decreased to 4 members based on the change in the Company's Articles of Association.

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

29 March 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.



## ***Independent auditor's report***

**to the shareholder of Letiště Praha, a. s.**

### ***Opinion***

We have audited the accompanying financial statements of Letiště Praha, a. s., with its registered office at K letišti 1019/6, Praha 6 - Ruzyně ("the Company"), prepared in accordance with Czech accounting legislation, which comprise the balance sheet as at 31 December 2018, the profit and loss account, statement of changes in equity and cash flow statement for the year ended 31 December 2018 and notes to the financial statements, which include significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, of its financial performance and its cash flows for the year ended 31 December 2018 in accordance with Czech accounting legislation.

### ***Basis for Opinion***

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

### ***Other Information***

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

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

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

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

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

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

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

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PricewaterhouseCoopers Audit, s.r.o., registered seat Hvězdova 1734/2c, 140 00 Prague 4, Czech Republic, Identification Number: 40765521, registered with the Commercial Register kept by the Municipal Court in Prague, Section C, Insert 3637, and in the Register of Audit Companies with the Chamber of Auditors of the Czech Republic under Licence No. 021.





## Independent auditor's report

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

The Supervisory Board and Audit Committee are responsible for overseeing the Company's financial reporting process.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

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

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

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

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

29 March 2019

*PricewaterhouseCoopers Audit, s.r.o.*  
represented by  
  
Jiří Zouhar

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.