



LETIŠTĚ PRAHA, A. S.

**2020**

CONSOLIDATED ANNUAL REPORT



## 1. Foreword by the Chairman of the Board of Directors

Ladies and Gentlemen,

The Prague Airport Group has experienced a year of the greatest air transport crisis. The aviation and tourism market segments were affected in an unprecedented way by the COVID-19 pandemic, the cause of a global air traffic setback. However, looking back at the past year in retrospect and considering all circumstances, we still managed 2020 with honour. From the beginning, we viewed the crisis as an opportunity. We used the limited traffic to accelerate certain necessary airport infrastructure reconstruction and modernisation projects. We intensified our digitisation efforts and focused on strengthening the customer experience. The safety of passengers and employees remained our utmost priority, enhanced with the health protection aspect, the appreciation of which was confirmed by the receipt of the international ACI Airport Health Accreditation (AHA) Certificate.

Last but not least, we focused on the area of sustainable development, which will be crucial for our future course. We want to join the forthcoming environmental commitment of the European aviation sector, endorsing the goal to reduce CO<sub>2</sub> emissions by 45% by 2030 and to reach carbon neutrality by 2050. This will be achieved together with other aviation entities, for example, by supporting the development of environmentally friendly aircraft and engines, changing operating procedures and using green fuels. Independently, we have drafted a sustainable development strategy of the Group, which includes not only the environmental field, but also the areas of social and corporate governance.

The year 2020 represented a significant challenge for the Czech Airlines Handling subsidiary, too. Thanks to the responsible and determined approach of its management to cost optimisation, business activities and the good economic results of previous years, Czech Airlines Handling was not only able to overcome this difficult period, but also to gain new customers and at the same time prepare for the gradual resumption of operations. The conclusion of new agreements, the extension of long-term contracts and the expansion of cooperation with airlines also confirm the company's well-established long-term strategy. The fact that the company provides quality handling services and adheres to the highest standards in operation was confirmed, once again, by the ISAGO international audit.

The Czech Airlines Technics subsidiary also achieved a number of successes in the past year, despite the unexpected situation. The company made a long-planned investment in the complex reconstruction of the electroplating shop, invested in another spare landing gear set for Boeing 737NG, procured a new hydraulic test room and a painting and drying box to increase the capacity offered and the efficiency of aircraft landing gear maintenance processes. Due to the decline in air traffic, the company decided to offer customers from air carriers, manufacturers and leasing companies a new service of short-term and long-term aircraft parking. Czech Airlines Technics, a.s., was able to primarily provide a safe environment for its employees, while actively winning new customers and expanding the cooperation with regular clients.

The year 2020 was not easy. Thanks are owed primarily to all employees for the year being overcome. Now, we are turning to 2021 together, hoping for a gradual return of regular operations. In the years to come, we will remain a stable and reliable partner for all stakeholders.

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



## 1. Company Profile

### Mission of the Company

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

Prague Airport Group comprises of the companies that pursue business activities in areas related to the operation of the civil international Václav Havel Airport Prague and provide related ground services.

The parent company, Letiště Praha, a. s., provides coordination and financial and strategic management, ensures synergy within the group and provides shared services to its subsidiaries.

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

### Legal Status of the Company

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

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

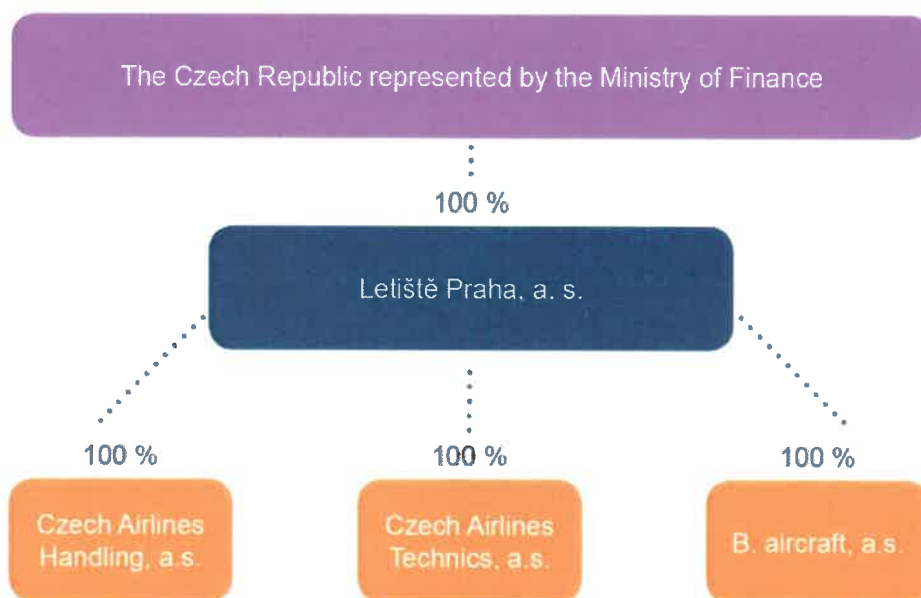
Letiště Praha, a. s., has neither a branch nor another part of its business enterprise abroad.

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

Letiště Praha, a. s., did not acquire its own shares in the year 2020.

The information about the use of financial derivatives and about goals and methods of risk management is provided in the Notes to the Consolidated Financial Statements for the year ended on 31 December 2020 that constitute an Annex to this Consolidated Annual Report.

## Shareholding Structure of the Prague Airport Group as at 31 December 2020



As at 31 December 2020, Letiště Praha, a. s., owned 100% of shares of the companies B, aircraft, a.s., Czech Airlines Handling, a.s., and Czech Airlines Technics, a.s.

### Letiště Praha, a. s.

Letiště Praha, a. s., organises and manages 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, and leases airport space for commercial use. The company also provides additional services linked to the airport operations, such as parking services and catering. The company is constantly expanding, developing and modernising its services.

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

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

Letiště Praha, a. s., provides to its subsidiaries shared services, namely IT services, joint procurement, human resources management, accounting and legal services, financial services and PR and marketing



services. Thanks to this centralization of administrative services, the subsidiaries can fully concentrate on their core business.

Letiště Praha, a. s., owns real estate (land and buildings), which used to belong to Český Aeroholding, a.s., that are leased to other entities operating in the airport area under long-term contracts.

## B. aircraft, a.s.

In 2020, business activities of B. aircraft, a.s., comprise the completion of the operating leasing of four Airbus A319 aircraft to Czech Airlines and, after the leasing termination, the sale of these aircraft to a new owner.

## Czech Airlines Handling, a.s.

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

In 2020, the company maintained high standards of services provided in the field of passenger and aircraft handling as proven by the results of individual airline audits on the one hand and by the expansion of its client portfolio, namely by members of the Smartwings group, including České aerolinie, a.s. (hereinafter referred to as "Czech Airlines"), Thai AirAsia X, Bamboo Airways and China Cargo Airlines on the other.

In 2020, Czech Airlines Handling, a.s., was a major provider of handling services at Václav Havel Airport Prague, largely in charge of handling medical supply flights arriving in the Czech Republic in connection with the Covid-19 pandemic.

In the context of a dramatic decline in passenger air transport, Czech Airlines Handling, a.s., further strengthened its position in the growing cargo handling segment, in particular in cooperation with Qatar Airways Cargo and other companies from its customer portfolio.

Aircraft refuelling services is an important area of business of Czech Airlines Handling, a.s.. In 2020, Czech Airlines Handling maintained its strategic fuel trade partnership with PKN Orlen. Czech Airlines a.s., Smartwings, a.s., easyJet, Korean Air, LOT Polish Airlines, the IAG Group (British Airways, Aer Lingus, Iberia and Volotea) and others are among the key Czech Airlines Handling aircraft refuelling customers.

Czech Airlines Handling, a.s., also operates a Contact Centre which provides its services to Korean Air.

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

## Czech Airlines Technics, a.s.

Czech Airlines Technics, a.s., focuses mainly on aircraft repair and its maintenance, namely base maintenance, line maintenance, components maintenance, aircraft material sales, CAMO support landing gear maintenance and aircraft storage.

Throughout the course of 2020, the company performed approximately 80 inspections. In 2020, Finnair, Transavia Airlines, České aerolinie a.s. (hereinafter referred to as "Czech Airlines"), Austrian Airlines, Jet2.com, Smartwings, a.s. (hereinafter referred to as "Smartwings"), NEOS and others were among the main company clients.

Czech Airlines Technics, a.s., performs the largest share of its Line Maintenance work at Václav Havel Airport Prague, where it is the largest provider within the segment. The division was affected the most by the 2020 decline in air traffic caused by the worldwide COVID-19 pandemic. In 2020, Czech Airlines

remained the main Line Maintenance client, with other clients using the Prague facility being for example KLM Royal Dutch Airlines, China Eastern Airlines or Turkish Airlines. Additional scope of the Line Maintenance business included operating a foreign line maintenance station for in Bratislava and in Innsbruck, Austria.

Czech Airlines Technics, a.s., continually updates and expands its Capability List, specialising mainly in workshop repairs of ATR, A320/A330 and B737NG components. The company also offers its customers wheel and brake repairs.

Czech Airlines Technics, a.s., is able to respond to the demanding customer requirements connected with sales of aircraft consumables in a flexible manner and runs its e-commerce portal, allowing customers of this division to order spare parts and aircraft components they need in an easy manner. The portal also facilitates more efficient and faster order processing.

As part of the Continuing Airworthiness Management Organisation (CAMO) services, Czech Airlines Technics, a.s., performs activities for aircraft operators vital to ensure the airworthiness of their aircraft. Czech Airlines and GLOMEX were the main CAMO Support customers of the company in 2020. Within this division, the company aims at expanding its service portfolio next year.

In the Landing Gear Maintenance area, Czech Airlines Technics, a.s., specialises in landing gear overhauls of Boeing 737 aircraft. In 2020, the company successfully performed a number of landing gear maintenance projects and records an annual average capacity of 32 landing gear overhaul. Czech Airlines Technics, a.s., owns six spare landing gear sets. In 2020, the company performed a complete reconstruction, including a change of technology and facility updates of the galvanic line. At the same time, investments were made in the modernisation of the workplace and other devices and equipment, such as a machining centre and a new painting and drying box, which will contribute to increasing the quality of painted surfaces.

Czech Airlines Technics, a.s., has expanded its range of aircraft maintenance and parking services for airlines and aircraft leasing companies. Alongside Václav Havel Airport Prague, other Czech and Slovak airports are included in the offer. A package deal combining aircraft parking options with the provision of first-class comprehensive maintenance represents a significant competitive advantage.

## 2. Company Management and Governance

### Board of Directors of the Company

As at 31 December 2020, Letiště Praha, a. s., was managed by the Board of Directors, which had four members.

#### **Chairman of the Board of Directors**

Václav Řehoř

#### **Vice-Chairman of the Board of Directors**

Jiří Kraus

#### **Member of the Board of Directors**

Jiří Černík

#### **Member of the Board of Directors**

Jakub Puchalský

#### **Changes to the Board of Directors**

Milan Špaček – membership terminated on 30 June 2020

Jakub Puchalský – membership commenced on 1 July 2020

## Supervisory Board of the Company

As at 31 December 2020, the Supervisory Board had six members.

### **Chairman of the Supervisory Board**

Jan Švejnar

### **Vice-Chairman of the Supervisory Board**

Ondřej Landa

### **Member of the Supervisory Board elected by employees**

Jiří Hošek

### **Member of the Supervisory Board**

Stanislav Kouba

### **Member of the Supervisory Board elected by employees**

Kamil Pomahač

### **Member of the Supervisory Board**

Petr Šobotník

**There were no changes to the Supervisory Board in 2020.**

## Audit Committee

As at 31 December 2020, the Audit Committee had three members.

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

Petr Šobotník

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

Andrea Lukášiková

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

Ivo Středa

**There were no changes to the Audit Committee in 2020.**

## 3. Human Resources

As at 31 December 2020, the companies within the Prague Airport Group employed 3 509 employees. In terms of the average number of employees in full-time equivalent units, the companies within the Prague Airport Group had 3 915.5 employees in 2020. The number of employees was reduced in response to the Covid-19 pandemic that triggered a sharp decline in passenger air transport. During the year, all companies of the group reduced the number of employees as well as of project staff working under specific work assignment agreements. In order to ensure operability by qualified personnel, the application of obstacles at work (partial unemployment) was also agreed upon with trade unions. In all companies, the option of working from home ("Home Office") was applied to the maximum extent in all professions where it was possible with regard to the job description.

Throughout 2020, regular meetings of the company management with employees, which moved due to COVID-19 pandemic online (MS Teams) in spring, took place. By the end of 2020, collective bargaining in the company Letiště Praha, a. s., was completed and a new Collective Agreement for 2021-2023 was entered into. The reason for entering into the three year Collective Agreement was an effort to prevent qualified employees from leaving during a critical period of a dramatic drop in the number of passengers

as the Collective Agreement guarantees a gradual increase in employee benefits linked to the growth in the number of passengers.

The Prague Airport Group devotes continuous and systematic attention to the development of its employees, particularly to enhancing their work skills and professional knowledge through an internal training system that moved online as much as possible in 2020. The aim was to ensure compulsory and professional training for the operations of the airport, as well as professional development of personnel in key and managerial positions. Thanks to the new situation and the focus on new technologies, preparations are under way to strengthen digital skills education at all levels of management. Partnerships with foreign airports were deepened and the Prague Airport Group works further on the development of talented employees within the successful Talent Pool programme.

As part of activities aimed at increasing the level of occupational safety of employees, the organizational unit of occupational health and safety centrally records, evaluates and clarifies the causes of accidents, even if no injury occurred that would require incapacity for work for more than three working days. This practice enables to react immediately to current events and to take measures to prevent more serious injuries in a timely manner.

As part of corporate social responsibility strategy, Letiště Praha, a. s., seeks to offer its employees a range of active engagement options in this field through its volunteering programme in the range of one day a year. In 2020, this activity was significantly widened and employees of Letiště Praha, a. s., as volunteers, participated in activities aimed against the spread of the Covid-19 disease, especially in the area of care for the elderly and sick fellow citizens. Based on the positive feedback from employees and participating organisations, such activities are planned to continue in the future.

The company Letiště Praha, a. s., as premium employer offers a number of benefits to employees. Alongside an extra week of paid holiday, subsidised pension insurance and food supplied at favourable prices, employees enjoy optional benefits in a scheme called Cafeteria that is equal to CZK 20,000 per employee per year. Cafeteria was operated online using a specialized portal for the first time in the year 2020, which widely spread the scope of available options for the use of this benefit. However, all previously existing options were also kept, for example life insurance or charity projects contributions.

## 4. Selected Events of 2020 and Outlook for 2021

### 2020 Main Events

The year 2020 was quite exceptional for the Prague Airport Group. Having experienced yet another record year in 2019 in terms of the number of passengers at the Václav Havel Airport Prague, the Group was set to deal with another demanding year with continued growth of operations. Instead, it had to face the consequences of an unexpected external shock brought about by the global spread of the Covid-19 disease. Whereas the first two months of 2020 were marked by satisfactory operating activities, the impacts of the pandemic and related restrictive measures in the air travel industry began to kick in starting from March. Especially in the initial weeks following the declaration of the first state of emergency on 12 March 2020, it was essential to ensure that an appropriate response in all the companies within the Group be adopted in the situation of high uncertainty about the future development. A Recovery Plan was drafted with the view to creating a strong tool for change management, reflecting the substantial impacts of the pandemic upon the business of the Group. Key components of the adopted measures include:

- Reduction in operating expenditure (decrease in expenses on raw material, merchandise and energy, repairs and maintenance services and other services mainly relates to the decrease in the number of passengers and limited operation of the airport)
- Reduction in the workforce; the Group had to lay off more than 600 employees as a reaction to the dramatic drop in revenues. The Group also applied the scheme of partial unemployment wherever possible.
- Re-negotiation of lease agreements with business partners



- Optimization of operations to reflect the new environment
- Termination or suspension of part of the capital expenditure projects
- Obtaining and drawing the bank overdraft and ensuring that sufficient loan facilities are available for further possible financing needs.

However, the Group deems the current situation temporary and expects the return to the 2019 level of operations within the next four to five years. This expectation corresponds with the available predictions issued by international aviation organizations (IATA, ACI, and Eurocontrol).

More detailed information about the impacts of Covid-19 on the performance of the Group and on its economic position is presented in the Consolidated Financial Statements for the Year Ended on 31 December 2020 and in the Notes thereof.

A summary of key events in the Group in 2020 ensues:

### January

- In 2019, Václav Havel Airport Prague handles a total of 17,804,900 passengers, representing a 10.9% year-on-year increase compared to 2018.
- SCAT Airlines announces its plan to increase the number of frequencies on its route between Prague and Nur-Sultan (formerly Astana) during the 2020 summer season.
- Bamboo Airways shares its plan to launch a Prague – Hanoi route.
- On 10 January 2020, the Praha restaurant ceases operation for four months due to scheduled reconstruction.
- Effective January 2020, the existing co-operation of Czech Airlines Handling, a.s., comprising the provision of complex ground handling services of passengers and aircraft for Alitalia and Air Serbia air carriers is extended.
- Czech Airlines Technics, a.s., issues a new Technical Services Price List.
- Czech Airlines Technics, a.s., introduces 24/7 customer support for its divisions of Aircraft Consumables Sales and Rotating Aircraft Component Repairs.
- Czech Airlines Technics, a.s., makes an investment in a new hydraulic testing facility in the segment of Rotating Aircraft Component Repairs.
- Czech Airlines Technics, a.s., finalises a complex adjustment of processes and work organisation with the result of increasing the total capacity offered in the Aircraft Landing Gear Overhaul division.

### February

- AirSerbia airlines increases the number of flights to the capital of Serbia. The carrier will service the Belgrade route up to ten times a week effective June 2020.
- Letiště Praha, a. s., launches operations of its Cyber Security Operational Centre (CSOC), designed to investigate cyberattacks and security incidents.
- Letiště Praha, a. s., receives the Zlatá pecka (Golden Hit) award for its billboard campaign to support tourism in Prague and the Central Bohemian region run on New York subway trains and in the centre of Manhattan at the turn of 2018 and 2019, with the 'See It Live' website as a part of the campaign.
- Working with Mall.tv, a unique project of a live camera feed is launched, showing high-resolution images of the 06/24 main runway action.
- SkyUp Airlines launches ticket sales on its new direct connection between Prague and Zaporizhia in south-west Ukraine.
- Letiště Praha, a. s., launches a new ON AIR online programme, broadcasting interviews with interesting personalities
- Czech Airlines Technics, a.s., provides services connected with the launch of operations and subsequent support of an Airbus A320 aircraft to Czech Airlines within its Line Maintenance, CAMO Support, Base Maintenance and Rotating Aircraft Components divisions.
- Czech Airlines Technics, a.s., enters into an Aircraft Landing Gear Overhaul Agreement with the TUI Group.

- Czech Airlines Technics, a.s enters into Aircraft Landing Gear Overhaul Agreements with Sun Express and LOT Polish Airlines.
- Czech Airlines Technics, a.s., enters into a Line Maintenance Agreement with Bamboo Airways.

## March

- Letiště Praha, a. s., receives the 2019 Airport Service Quality Award, defending the position of the best European airport in the category of 15 - 25 million annually handled passengers in terms of customer satisfaction.
- Václav Havel Airport Prague offers passengers the option of Self-service Bag Drop. Using modern technology, the system allows passengers to self-check-in their baggage.
- Effective 12 March 2020, the Government of the Czech Republic declares a state of emergency across the Czech Republic to last 30 days. Due to the immediate threat to public order and interior security of the Czech Republic associated with the spread of the Covid-19 disease caused by the new SARS-CoV-2 coronavirus, protection is temporarily reintroduced at Czech interior borders, including air borders. These measures significantly reduce air traffic over the Czech Republic and the provision of services at Václav Havel Airport Prague.
- Following the declaration of the state of emergency by the Government of the Czech Republic, the Board of Directors approves the implementation of procedures pursuant to the Crisis Preparedness Plan, which Letiště Praha, a. s., had drafted to facilitate crisis management.
- Employees are gradually transferred under the partial unemployment regime and stay at home, in line with the controlled downturn of operations. Employees able to work remotely are subject to mandatory home-office.
- Starting March 2020, post the declaration of the state of emergency by the Government of the Czech Republic, the Supervisory Board Letiště Praha, a. s., is regularly informed at its meetings of the current development of the crisis and the measures taken by the Board of Directors.
- Effective 16 March 2020, the Government of the Czech Republic extends the ban on entering the Czech Republic to all foreigners. At the same time, Czech citizens are banned from travelling abroad. All foreigners, with the exception of those with temporary or permanent residence permits, are prohibited from entering the territory of the Czech Republic, while our citizens are unable to leave the Czech Republic.
- A number of repatriation flights from various destinations land at Václav Havel Airport Prague under the co-operation with the Ministry of Foreign Affairs with several air carriers. Alongside Bamboo Airways, Czech citizens also return home aboard the Smartwings Group aircraft. Special flights with medical supplies on board also head to Prague.
- A gradual reduction of operations takes place due to the spread of the Covid-19 virus and a decline in air traffic.
- As part of the protection of both employees and passengers, increased hygiene measures are implemented across the airport in connection with Covid-19. The individual check-in and arrival procedures are adjusted, and protective plexiglass is installed on check-in counters.
- Czech Airlines Technics, a.s., implements organisational changes to increase process streamlining within the Base Maintenance segment.
- Czech Airlines Technics, a.s., experiences a complete disruption, respectively a significant reduction, of operations, in its Line Maintenance segment in connection with the temporarily cancellation of long-haul routes.
- Czech Airlines Technics, a.s., implements a "Covid-19" Business Continuity Plan.
- Czech Airlines Technics, a.s., implements very strict preventative measures in connection with the Covid-19.
- Czech Airlines Technics, a.s., addresses the issue of measures to be applied regarding the complicated situation of Smartwings and Czech Airlines companies.
- Czech Airlines Technics, a.s., makes an investment in another spare landing gear set for Boeing 737NG, to be used by its landing gear overhaul segment.
- The sale of three Airbus A319, OK-NEM, OK-NEN and OK-NEO, aircraft was scheduled by the company B. aircraft, a.s., in the first quarter of 2020. Due to the worldwide spread of the Covid-19 pandemic, which drastically affected not only the aviation business, the aircraft were not sold on the originally scheduled dates.

## April

- The unfavourable situation in the field of aviation due to the Covid-19 disease has an adverse effect on Letiště Praha, a. s.
- Václav Havel Airport Prague remains open for all arrivals and departures. A total of 44 special flights with medical supply cargo land at the airport in a month. Up to 1,200 tons of medical aid thus reaches the Czech Republic.
- Letiště Praha, a. s., launches a volunteering project for full-time employees under the partial unemployment regime. For a volunteer day, employees are paid 100% of their regular salary.
- A significant reduction of operations takes place due to the spread of the Covid-19 and a decline in air traffic. Alongside cargo routes operated by Qatar Airways Cargo and Turkish Airlines Cargo, regular flights by Belavia and Bulgaria Air remain in service by air carriers.
- Czech Airlines Technics, a.s., experiences cancellations of some contracted jobs in the Base Maintenance segment due to the impact of the Covid-19 on aviation, including the aircraft maintenance market.
- Within its Line Maintenance segment, Czech Airlines Technics, a.s., experiences a significant reduction in traffic on medium-haul routes and an additional reduction in traffic by Czech Airlines.
- Czech Airlines Technics, a.s., introduces and implements a set of measures to maintain financial stability at a time when deteriorating payment morale is beginning to spread among customers across individual segments.
- Czech Airlines Technics, a.s., enters into a Base Maintenance Agreement with MyWay Airlines.
- Czech Airlines Technics, a.s., extends its Line Maintenance authorisations with Boeing 787 Dreamliner aircraft.

## May

- Based on the proposal of the Board of Directors, the Supervisory Board of Letiště Praha, a. s., approves a set of 2020 measures responding to the unprecedented decline in air traffic in the form of the 2020 Recovery Plan. The plan and the implementation of the set measures is to be reviewed by the Supervisory Board every month.
- Operations on two routes from Václav Havel Airport Prague are resumed, namely the KLM regular flights to Amsterdam and the air connection to Düsseldorf operated by Eurowings.
- For the first time in seventy years, a unique parachute jump lands on a grassy area of Václav Havel Airport Prague. Under regular airport operation, it would not be possible to hold a similar event, performed this time in cooperation with the Civil Aviation Authority and the Air Navigation Services of the Czech Republic.
- Czech Airlines resumes certain regular flights to Václav Havel Airport Prague. At this point, these comprise Paris, Amsterdam and Frankfurt on Main routes.
- Swiss International Air Lines resumes its regular connection between Prague and Zurich effective Friday, 5 June 2020.
- Certain businesses resume their operations at Václav Havel Airport Prague (airport lounges, the Aerorooms hotel, a refreshment shop).
- Smartwings announces its plan to resume operations on its Split, Croatia, route with up to three times a week frequency effective 10 June 2020.
- Brussels Airlines is to resume its regular connection between Prague and Brussels effective 14 June 2020. Flights to be available up to four times a week.
- Air Serbia plans to re-launch its route to Belgrade in Serbia on 15 June 2020.
- New Handling Agreements of Czech Airlines Handling, a.s., are entered into with Bamboo Airways, Thai Air Asia X, Azur Air and China Cargo Airlines.
- Operations on some routes are partially resumed, for example, regular KLM flights to Amsterdam and the air connection to Düsseldorf operated by Eurowings on an ad hoc basis.
- Between 20 March and 21 May 2020, over 85 special flights (passenger, cargo, and repatriation) are handled, landing in Prague with medical and other supplies on board. Operating airlines include Thai Air Asia X, Bamboo Airways, China Eastern Airlines, China Cargo Airlines, Juneyao Airlines, SCAT Airlines, Sichuan Airlines and Azur Airways.

- Czech Airlines Technics, a.s., enters into a long-term Base Maintenance Agreement with Finnair.
- Czech Airlines Technics, a.s., enters into a new Collective Agreement for the period from 1 January 2021 to 31 December 2021.
- Czech Airlines Technics, a.s., responds to job order cancellations by temporarily or permanently reducing the capacity offered, or by replacing the cancelled jobs with different job orders across individual segments.
- Czech Airlines Technics, a.s., responds to the job order decline through a partial unemployment regime with the support of the government Antivirus programme.
- Czech Airlines Technics, a.s., enters into a Base Maintenance Agreement with ABS Jets.

## June

- On 25 June 2020, the Sole Shareholder in exercise of the powers of the General Meeting of the Letiště Praha, a. s., decided to increase the share capital by the amount of CZK 24,519,336, 000 to the amount of 27,031,564,000 CZK. The share capital was increased from the Letiště Praha, a. s., own resources in accordance with the Article 495 et seq. of the Commercial Corporations Act.
- Ryanair announces resumed operations. Effective 1 July 2020, the carrier offers over 20 regular connections to/from Prague under its 2020 summer schedule.
- The low-cost airline, Wizz Air, announces the launch of a new direct route from Prague to Tirana, Albania. The carrier will operate flights to the capital of Albania twice weekly, on Mondays and Fridays, effective 3 July 2020.
- Air Malta is to resume its direct flights from Prague to the Mediterranean island of Malta. The carrier will service the route twice per week, on Tuesdays and Saturdays, starting 4 July 2020.
- The low-cost airline, Wizz Air, announces the launch of a new direct route from Prague to Varna. The carrier will operate flights to Bulgaria twice weekly effective 17 July 2020.
- Certain businesses resume their operations at Václav Havel Airport Prague (airport lounges, refreshment shops).
- Starting from 2 June 2020, SCAT Airlines became new Czech Airlines Handling, a.s., customer in the area of complex handling services.
- Czech Airlines Technics, a.s., commences a complex electroplating shop reconstruction within its Aircraft Landing Gear Overhaul segment.
- Czech Airlines Technics, a.s., enters into a Base Maintenance Agreement with the Government Fleet of Armenia.
- Czech Airlines Technics, a.s., receives a notice of termination of agreements with the company VAS Aero Services in relation to component purchase and component repair service (slides, batteries, bottles). Czech Airlines Technics disputes the notice and in the subsequent months focuses on the future relations with this business partner.

## July

- The Runway Park kick-off weekend takes place at Václav Havel Airport Prague with the programme mainly comprising a presentation of our airport units, i.e. falconers and K-9 handlers alongside demonstrations of airport equipment and vehicle fleet. Visitors are also able to learn details on the operation and maintenance of airfield and aircraft.
- Aegean Airlines resumes flights from Prague to Athens with a twice-weekly frequency initially, followed by a planned frequency increase in August 2020.
- Letiště Praha, a. s., offers the public a number of experiences in the airport environment. Those interested can become a firefighter for a day, hold a wedding or organise a birthday party directly at the airport. They can also explore the airport behind the scenes on several airport tour routes or visit the Runway Park on the former Runway 22.
- A series of 2020 Runway Run races takes place on the runway of Václav Havel Airport Prague.
- Alitalia plans to resume its flights between Prague and Rome effective 1 September 2020.
- Korean Air is to resume its operations on the Prague – Seoul route effective 21 August 2020.



- Effective July 2020, there is a personnel change to the Letiště Praha, a. s., Board of Directors, to which Mr. Jakub Puchalský is elected. His main task for the foreseeable future is to launch negotiations with Letiště Praha, a. s., business partners aimed at approving adjustments to the lease relations between the parties due to the effects of the Covid-19 pandemic. He is also to supervise the Aviation Business, Communications, Marketing and Customer Experience departments.
- Turkish Airlines reopens its connection to Istanbul.
- Czech Airlines Handling creates a Twitter account.
- Czech Airlines Technics, a.s., implements additional organisational changes aimed at increasing process streamlining within the Base Maintenance segment.
- Czech Airlines Technics, a.s., enters into an Aircraft Landing Gear Overhaul Agreement with NEOS.

## **August**

- Effective 1 August 2020, TAP Air Portugal resumes its direct connection between Prague and Lisbon.
- Smartwings is to resume charter flights to Djerba, Monastir and Enfidha on Saturday, 15 August 2020. The carrier will service flights from Prague for travel agencies up to 12 times a week.
- The airport commemorates the 75<sup>th</sup> anniversary of the arrival of Czechoslovak RAF pilots in Prague after World War II.
- On Friday, 21 August 2020, Korean Air resumes operations on its Prague – Seoul route, making it the third resumed long-haul route from Václav Havel Airport Prague.
- Effective 28 March 2021, Blue Air is to launch flights from Prague to Bucharest in Romania.
- Transavia Airlines announces its plan to resume direct flights to Eindhoven in the Netherlands effective 31 August 2020, followed by the re-launch of its Paris/Orly connection in October 2020.
- Czech Airlines Handling, a.s., handles a special China Airlines flight operated by Airbus A350-900 arriving in Prague from Frankfurt and departing to Taipei with a Czech Republic Senate delegation on board, headed for an official state visit to Taiwan.
- Czech Airlines Technics, a.s., implements organisational changes aimed at increasing process streamlining and sales activity performance within the Components & Spares segment.
- Czech Airlines Technics, a.s., addresses the situation connected with the declaration of an extraordinary moratorium of Smartwings and Czech Airlines companies.

## **September**

- The main phase of the Terminal 1 baggage sorting facility project is completed. The check-in of all non-Schengen flights is performed in the Terminal 1 departure hall as normal.
- Working with the National Technical Museum and in co-operation with the Aviation Association of Bohemia, Letiště Praha, a. s., organises a panel exhibition of photographs on the occasion of the 75<sup>th</sup> anniversary of the return home of Czechoslovak pilots serving in the British Royal Air Force.
- A new Relax Zone is opened at Václav Havel Airport Prague, located on the first floor of the non-public part of Terminal 1, right next to the recently renovated Runway Restaurant.
- Ukraine International Airlines plans to re-launch operations on its route to the capital of Ukraine, Kyiv, with a three-times-weekly frequency effective October 2020.
- Czech Airlines Technics, a.s., terminates its support provided to the aviation department of the Ministry of Interior of the Slovak Republic.
- Czech Airlines Technics, a.s., enters into an Aircraft Landing Gear Overhaul Agreement with ASL FRANCE.
- Czech Airlines Technics, a.s., launches a new management vocational programme with the goal of increasing the expertise and process streamlining within the Base Maintenance segment.



## October

- Václav Havel Airport Prague tours are discontinued based on a government decree on a limited number of people at events.
- Letiště Praha, a. s., wins second place in the 2020 Sodexo Employer competition in the Prague region in the category of businesses with under 5,000 employees.
- On 11 October 2020, Czech Airlines Handling enters into a new Handling Agreement with Czech Airlines and Smartwings, a.s. The Smartwings Group also comprises Smartwings Hungary, Smartwings Slovakia, Smartwings Poland and UG Jet. Czech Airlines thus re-joins the Czech Airlines Handling customer portfolio after a two-year break.
- Czech Airlines Technics, a.s., designs and successfully launches a new product of short-term/long-term aircraft parking to be provided to air carriers by the Line Maintenance division.
- Czech Airlines Technics, a.s., enters into Line Maintenance Aircraft Parking Agreements with Finnair and Transavia Airlines.
- Czech Airlines Technics, a.s., successfully completes a complex reconstruction of the electroplating shop and launches full-capacity operation of its Aircraft Landing Gear Overhaul division.
- Czech Airlines Technics, a.s., extends its Federal Aviation Administration's (FAA) authorisation until 30 November 2022.

## November

- LOT Polish Airlines announces the launch of its new direct route between Prague and Ostrava effective 11 November 2020.
- Due to the change to the winter flight schedule and as a result of less air traffic, the number of entry points to the arrival and departure halls at Terminals 1 and 2 is reduced from the beginning of November 2020 to 31 March 2021.
- Václav Havel Airport Prague joins the celebrations of the Day of the Struggle for Freedom and Democracy. The airport arrival hall lights up in the colours of the Czech tricolour.
- The Chairman of the Board of Directors of Letiště Praha, a. s., Václav Řehoř, is elected a member of the European Council of Directors of Airports Council International (ACI Europe), an international association of airports.
- Letiště Praha, a. s., receives the ACI Airport Health Accreditation certificate for detailed readiness and diligence in the area of protective measures against the spread of the Covid-19 virus.
- Czech Airlines Handling, a.s., handles additional special flights, namely an Airbus A330-200F operated cargo flight of Egypt Air Cargo, a Boeing 787-9 operated repatriation flight and a Bamboo Airways flight to Vietnam operated by a Dreamliner aircraft.
- Czech Airlines Technics, a.s., launches co-operation with FlyTec Aviation Services regarding its aircraft parking product, focusing on leasing companies within the Line Maintenance segment.

## December

- In line with government measures, Václav Havel Airport Prague opens airport lounges and the AeroRooms hotel to the public effective 3 December 2020.
- The Runway restaurant is also re-opened to the public in accordance with current regulations applied by the Czech government.
- Air Cairo re-increases the number of frequencies on its regular route between Prague and Hurgada to a three-weekly service.
- flydubai air carrier is to resume its regular connection to Dubai with a twice-weekly frequency effective 23 December 2020.
- The Prague City Council approves an amendment to the Zoning Plan, which will enable the construction of a parallel runway as an important part of the airport's long-term development plans.
- The co-operation between Letiště Praha, a. s., and the Railway Infrastructure Administration on the modernisation of the Prague - Kladno line continues. Contracts are concluded to enable

the joint preparation and coordination of individual projects for the construction of rail connections on the territory of our airport with regard to the specifics of the infrastructure.

- Czech Airlines Handling extends the existing Aircraft Refuelling Agreement with Korean Air.
- A new Collective Agreement is signed with the representatives of individual Union representatives for the following year in Czech Airlines Handling.
- Czech Airlines Technics, a.s., enters into a Line Maintenance Aircraft Parking Agreement with WWTAI AirOpCo 1 Bermuda Ltd.
- Czech Airlines Technics, a.s., enters into a Base Maintenance Agreement with Air Corsica.
- Czech Airlines Technics, a.s., successfully renews its aviation insurance agreement.
- Through intensive negotiations of B. aircraft, a.s., with the future aircraft owner, it was possible to agree the terms of the transaction and the aircraft delivery dates in 2020. Despite significant complications caused by the pandemic, all aircraft were sold and handed over to the new owner by the end of 2020.

## 2021 Subsequent Events Prior to the Annual Report Signing Date

### January

- Letiště Praha, a. s., initiates negotiations with the representatives of the Ministry of Health regarding the provision of a vaccine against the Covid-19 disease for employees of the Prague Airport Group as a part of critical state infrastructure.
- Czech Airlines Handling, a.s., wins a tender for the provider of manual baggage scanning at Václav Havel Airport Prague and calls a tender for the supplier of de-icing agents.
- Compared to January 2020, the Czech Airlines Handling, a.s., market share in the provision of handling services at Václav Havel Airport Prague increases from 30% to about 65%.
- Czech Airlines Technics, a.s., enters into Line Maintenance and CAMO Support Agreements with Czech Airlines.
- Czech Airlines Technics, a.s., obtains a new Part-CAMO authorisation with the goal of expanding its range of services for leasing companies.
- In 2021, the settlement of liabilities and receivables of B. aircraft, a.s., from the lease of Airbus A319 aircraft and receivables related to the readiness of the aircraft for sale is being finalised.

### February

- The Ministry of Finance of the Czech Republic approves the 2021 Business and Financial Plan and the 2021 and 2022 Investment Plans of Letiště Praha, a. s.
- Czech Airlines Handling, a.s., enters into a Ticketing Agreement with Turkish Airlines.
- Czech Airlines Technics, a.s., enters into a Base Maintenance Agreement with CARGOLOGIC GERMANY.
- Czech Airlines Technics, a.s., finalises its investment in a painting and drying box and successfully launches their operations within its Aircraft Landing Gear Overhaul segment.
- Czech Airlines Technics, a.s., intensively deals with receivables owed by two major debtors and takes all necessary steps to ensure their recovery.

### March

- The Ministry of Finance of the Czech Republic approves a change of the Articles of Association of Letiště Praha, a. s., which in particular incorporates an amendment to the Commercial Corporations Act.
- With regard to the further extension of the state of emergency in the Czech Republic and announcement of tightening measures related to another wave of the Covid-19 pandemic in the Czech Republic, further negative impacts on the air transport sector can be expected. Therefore, the Prague Airport Group companies carefully monitor the current development of the air transport and the forecasts of relevant international organizations and associations. If necessary, the companies' managements are ready to take further measures.
- The Prague Airport Group companies closely monitor the further development and operation of Smartwings, a.s., which had been placed in a pre-insolvency moratorium until 26 March 2021,

and of Czech Airlines in the context of declared insolvency. Both companies continue operating their flights according to the flight schedule. According to a press release issued by Smartwings, a.s., financing of the company has been secured and Smartwings, a.s. can thus continue its restructuring process.

#### April

- The representatives of Letiště Praha, a. s., and of CzechTourism and Prague City Tourism agencies sign an agreement on the common long-term approach related to the renewal and further development of the incoming tourism in Prague and the Czech Republic.
- Letiště Praha, a. s., launches a comprehensive project to boost digital skills of the staff aimed at facilitation of the digital transformation of the entire company.

#### May

- The Group prepares to file an application for subsidies aimed at companies hit by the pandemic (subsidy schemes Covid 2021 and Covid – Uncovered costs).
- Letiště Praha, a. s., is going to organize an election of one member of the Supervisory Board by the employees to be held at the end of May and at the beginning of June.

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

More detailed information about the Prague Airport Group's performance and economic position is provided in the appendices to this Consolidated Annual Report, in particular in the consolidated financial statements.

## 2021 Outlook

With regard to the further extension of the state of emergency in the Czech Republic and the announcement of tightening the measures related to another wave of the Covid-19 pandemic, further negative impacts on the air transport sector can be expected. Therefore, the management of the Group carefully monitors the current development of the air transport and the forecasts of relevant international organizations and associations. If necessary, the Group's management is ready to take further measures. But given the current situation and ongoing effects it is clear that this situation will have a negative impact on profit in 2021. In 2021 the Group expects decrease in number of passengers to 3 million compared to 5 million passengers in the plan. The decrease in passengers will have an impact of the increase in the Group's operating loss before depreciation and amortization by estimated CZK 678 million (from CZK (52) million planned to CZK (730) million expected) in 2021. The main objectives of Letiště Praha, a. s., for the year 2021 are maintaining financial stability, facilitating aviation and non-aviation business resumption following a potential unwinding of travel restrictions related to the pandemic, promoting digitalization across the entire company, incorporating Customer Experience into airport operations and sustaining the preparation of the long-term development.

The management of the Group does not see any significant uncertainty that could cast significant doubt on the Group's ability to operate under the going concern basis.

As at 31 December 2020, the current liabilities exceed the current assets. However, it does not represent any endangerment of the financial position or the going concern of the Group, as the Group has access to further external financing that exceeds the balance of current payables.

The Group plans to refinance the bank overdraft by means of a long-term bank loan in 2021.

The aim of Czech Airlines Handling in 2021 is to maintain the high quality of services provided and to ensure existing customers remain in its client portfolio. The company will strive to acquire new customers who launch their flights to Prague. The economic situation remains uncertain, and the effects of the Covid-19 pandemic on the company's 2021 financial results are difficult to predict. Therefore, the Board of Directors is closely monitoring the situation and is ready, based on due consultations

with the Supervisory Board and the shareholder, to implement additional austerity measures with a significant impact on the Company's current operating and organisational structure in the event of an unfavourable turn of trends.

In 2021, the Czech Airlines Technics, a.s., will continue to focus on its main areas of expertise and job performance pursuant to existing contracts. As before, it will seek to expand external client services and both secure additional job orders from existing clients and enter into new agreements. Due to the stabilised, increased Base Maintenance and Landing Gear Maintenance capacity, Czech Airlines Technics, a.s., will focus on process optimisation and efficient job performance.

B. aircraft, a.s., expects to have balanced results in 2021. In addition, as a result of the finalisation of the sale of the assets owned by the company, it is expected that its business activities will be gradually reduced. In 2021, the company's activities will focus on the management of assets remaining after the sale of aircraft in 2020, in particular on the management of receivables. Further activities and direction of the B. aircraft, a.s., will depend on a decision of the company's shareholder.

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

In the period from 1 January 2020 to 31 December 2020, Letiště Praha, a. s., received forty (40) 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: 34

The number of issued Decisions declining the request: 11

The number of issued Decisions deferring the petition: 2

The number of appeals lodged against the Decision declining the request: 2

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 cost associated with the provision of information pursuant to the Act on Free Access to Information.

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

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

## 6. Responsibility for the Consolidated Annual Report

The Board of Directors declares that the information included in the Consolidated Annual Report for 2020 corresponds to the real situation and gives a true and fair view of the financial position, financial performance and cash flow of the companies associated in the Prague Airport Group for the previous accounting period and that no fundamental circumstances, in combination with the Consolidated Financial Statements that make an integral part of this Consolidated Annual Report, were omitted that might affect the precise and correct assessment of the performance, activities and economic position of the Prague Airport Group.

In Prague on 31 May 2021



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



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



## 7. Annexes

- Consolidated Financial Statements of Letiště Praha, a. s., for the Year Ended on 31 December 2020 according to International Financial Reporting Standards as Adopted by the European Union
  - Consolidated Profit or Loss Account for the Year Ended on 31 December 2020
  - Consolidated Statement on Comprehensive Income for the Year Ended on 31 December 2020
  - Consolidated Balance Sheet as at 31 December 2020
  - Consolidated Statement of Changes in Equity for the Year Ended on 31 December 2020
  - Consolidated Cash-Flow Statement for the Year Ended on 31 December 2020
  - Notes to the Consolidated Financial Statements for the Year Ended on 31 December 2020
- Independent Auditor's Report to the Shareholder of Letiště Praha, a. s.

**Letiště Praha, a. s.**

**Consolidated Financial Statements for the Year Ended 31 December 2020**

**Consolidated Financial Statements for the Year Ended  
31 December 2020 prepared in Accordance with International Financial  
Reporting Standards as adopted by the European Union**

**Letiště Praha, a. s.**
**Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2020**
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

	Notes	2020 CZK'000	2019 (as restated) CZK'000
<b>Continuing operations</b>			
Revenues	3	5,119,272	11,520,124
Raw material, merchandise and energy	4	(961,884)	(1,756,823)
Repairs and maintenance services	5	(234,095)	(345,048)
Other services	6	(605,365)	(944,842)
Employee benefits	7	(3,074,489)	(3,546,741)
Depreciation and amortisation	14,15,16	(1,662,272)	(1,518,369)
Net expected credit losses on financial and contract assets	30	(204,631)	(32,035)
Other operating income	9	267,844	151,284
Other operating expenses	10	(949,843)	(190,630)
Foreign exchange differences		(9,089)	(8,470)
<b>Operating (loss) / profit</b>		<b>(2,314,552)</b>	<b>3,328,450</b>
Interest income and other financial income	11	16,563	61,065
Interest and other financial expenses	11	(8,799)	(19,867)
<b>(Loss) / profit before tax</b>		<b>(2,306,788)</b>	<b>3,369,648</b>
Income tax income / (expense)	12	368,521	(685,915)
<b>(Loss) / profit for the year from continuing operations</b>		<b>(1,938,267)</b>	<b>2,683,733</b>
<b>Discontinued operations</b>			
<b>(Loss) / profit from discontinued operations</b>	13	<b>(356,387)</b>	<b>37,981</b>
<b>(Loss) / profit for the year</b>		<b>(2,294,654)</b>	<b>2,721,714</b>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	Notes	2020 CZK'000	2019 CZK'000
<b>(LOSS) / PROFIT FOR THE YEAR</b>		<b>(2,294,654)</b>	<b>2,721,714</b>
<b>Other comprehensive (loss) / income</b>			
<b>Items subsequently included in the profit or loss</b>			
(Losses) / Gains on cash flow hedges		(5,115)	5,110
Cost of hedging		5,056	2,699
Hedging gains reclassified to profit or loss		(7,500)	(455)
Income tax related to cash flow hedging	12	1,436	(1,397)
<b>Items not subsequently included in the profit or loss</b>			
Changes in the fair value of equity investments whose fair value is included in other comprehensive income		(156)	19
<b>Other comprehensive loss / income for the year, net of tax</b>		<b>(6,279)</b>	<b>5,976</b>
<b>TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR</b>		<b>(2,300,933)</b>	<b>2,727,690</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December 2020	As at 31 December 2019
	Notes	CZK'000	CZK'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	32,730,859	31,636,882
Investment properties	15	1,954,424	1,865,406
Lease assets	14	256,262	1,713,037
Financial assets at fair value included in other comprehensive income		2,712	2,868
Intangible assets	16	328,140	328,424
Goodwill	16	11,084	11,084
Long-term receivables		30,196	488
Deferred tax asset	12	42,262	42,477
		35,355,939	35,600,666
<b>Current assets</b>			
Inventories	17	304,142	365,047
Trade and other receivables	18	570,545	1,527,099
Prepayments and other current assets	19	39,789	35,437
Income tax asset	12	41,071	39,853
Cash and cash equivalents	20	106,673	3,766,684
		1,062,220	5,734,120
<b>TOTAL ASSETS</b>		<b>36,418,159</b>	<b>41,334,786</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholder's equity</b>			
Issued capital	21	27,031,564	2,512,227
Other reserves	21	21,404	24,547,020
Retained earnings		6,881,293	9,175,947
<b>Total equity</b>		<b>33,934,261</b>	<b>36,235,194</b>
<b>Non-current liabilities</b>			
Trade and other non-current payables	24	257,113	276,005
Provisions	25	121,019	111,327
Employee benefits liability	26	23,368	27,191
Non-current portion of lease liabilities	23	250,171	1,670,957
Deferred tax liability	12	78,451	439,707
		730,122	2,525,187
<b>Current liabilities</b>			
Trade and other payables	24	1,455,671	2,162,632
Interest-bearing loans and borrowings	22	237,232	256,327
Provisions	25	48,787	98,881
Current portion of lease liabilities	23	12,086	56,565
		1,753,776	2,574,405
<b>Total liabilities</b>		<b>2,483,898</b>	<b>5,099,592</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>36,418,159</b>	<b>41,334,786</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Issued capital CZK'000	Other reserves *) CZK'000	Retained earnings CZK'000	Total equity CZK'000
<b>As at 1 January 2019</b>	<b>2,512,227</b>	<b>24,541,044</b>	<b>8,111,967</b>	<b>35,165,238</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>5,976</b>	<b>2,721,714</b>	<b>2,727,690</b>
Profit for the year	-	-	2,721,714	2,721,714
Other comprehensive income	-	5,976	-	5,976
<b>Transactions with owner</b>	<b>-</b>	<b>-</b>	<b>(1,657,734)</b>	<b>(1,657,734)</b>
Dividends	-	-	(1,657,734)	(1,657,734)
<b>As at 31 December 2019</b>	<b>2,512,227</b>	<b>24,547,020</b>	<b>9,175,947</b>	<b>36,235,194</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>(6,279)</b>	<b>(2,294,654)</b>	<b>(2,300,933)</b>
Loss for the year	-	-	(2,294,654)	(2,294,654)
Other comprehensive income	-	(6,279)	-	(6,279)
<b>Transactions with owner</b>	<b>24,519,337</b>	<b>(24,519,337)</b>	<b>-</b>	<b>-</b>
Transfers	24,519,337	(24,519,337)	-	-
<b>As at 31 December 2020</b>	<b>27,031,564</b>	<b>21,404</b>	<b>6,881,293</b>	<b>33,934,261</b>

\*) For more information see Note 21



## CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2020 CZK'000	2019 CZK'000
<b>Operating activities</b>			
(Loss) / profit before tax		(2,667,051)	3,407,927
Non-cash transactions and adjustments for non-operating activities:			
Depreciation and amortisation	14,15,16	1,781,831	1,796,595
Impairment	8,10,30	34,296	41,333
Net interest costs	11	(9,073)	(45,616)
Change in provisions	25	(40,402)	172,266
Loss / (gain) on disposal of non-current assets	9,13	246,506	(52,139)
Other non-cash charges, net		1,433	(1,378)
Working capital adjustments:			
Decrease / (increase) in trade and other receivables	18	920,181	(21,738)
Decrease / (increase) in inventories	17	60,905	(56,513)
(Decrease) / increase in trade and other payables	24, 26	(227,897)	77,910
Increase in other assets	19	(4,352)	(1,165)
Income tax paid	12	11,574	(733,205)
<b>Net cash flows from operating activities</b>		<b>107,951</b>	<b>4,584,277</b>
<b>Investing activities</b>			
Proceeds from the sale of property, plant, equipment and aircraft	9	611,044	658,610
Acquisition of non-current assets	14,15,16	(2,739,583)	(3,320,252)
Interest received	11	16,420	61,049
<b>Net cash flows from investing activities</b>		<b>(2,112,119)</b>	<b>(2,600,593)</b>
<b>Financing activities</b>			
Interest paid	11	(7,347)	(14,350)
Payment of lease liabilities	23	(1,396,928)	(54,411)
Proceeds of bank loans	22	237,232	-
Repayments of bank loans and bonds	22	(241,460)	(714,286)
Distribution of cash to the owner – dividends incl. withholding tax		(248,668)	(1,409,074)
<b>Net cash flows from financing activities</b>		<b>(1,657,171)</b>	<b>(2,192,121)</b>
<b>Net decrease in cash and cash equivalents</b>	20	<b>(3,661,339)</b>	<b>(208,437)</b>
Cash and cash equivalents as at 1 January	20	3,768,174	3,976,611
<b>Cash and cash equivalents as at 31 December</b>	20	<b>106,835</b>	<b>3,768,174</b>

## 1. Corporate information

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

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

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

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

The Group is involved mainly in the following activities:

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

The companies included in the consolidated financial statement in 2020 and 2019:

Company	Acquisition/ contribution date	Share in equity	2020	2019	
			Consolidation method	Share in equity	Consolidation method
Letiště Praha, a. s.			consolidating company		
Czech Airlines Handling, a.s.	26 October 2011	100 %	full	100 %	full
Czech Airlines Technics, a.s.	13 April 2012	100 %	full	100 %	full
B. aircraft, a.s.	31 August 2012	100 %	full	100 %	full

## 2. Basis for preparation

These consolidated financial statements ("the financial statements") have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") for the year ended 31 December 2020. The financial statements have been prepared under historical cost conventions. The exceptions are mentioned further in the corresponding notes.

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

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

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

The existence of the novel coronavirus causing the Covid-19 disease was confirmed in early 2020 and has spread globally. The pandemic and especially the restrictive measures taken in order to mitigate the health impacts have caused disruptions to businesses and economic activities and have affected the Group's operations in the year ending 31 December 2020.

## 2. Basis for preparation (continued)

The Group has prepared a recovery plan to create a strong platform for future profitability and to preserve as many jobs as possible. As a result of COVID-19, the Group has taken a number of actions during 2020, including:

- reduced operating expenditure;
- reduced the workforce;
- rationalised operations to reflect the new environment;
- terminated or suspended part of the capital expenditure projects;
- obtained and draws the bank overdraft.

However, the Group deems the current situation temporary and expects the return to the 2019 level of operations within the next four to five years. This expectation corresponds with the available predictions issued by international aviation organizations (IATA, ACI, Eurocontrol and other).

Management has considered the impact of the novel coronavirus causing the Covid-19 disease when assessing the valuation of assets and liabilities and going concern assumptions.

Covid-19 impact on the consolidated statement of profit or loss in 2020:

Item	Note	Description	Impact
Revenue from contracts with customers	3.1	In 2020, there was a year-on-year decrease in total number of passengers by 79% (decrease by 14 million passengers). In this context, there was a year-on-year decrease in revenues from contracts with customers, especially the passenger fees by 79%, the plane fees by 66% (combination of the impact of a decrease of the airport fees and conversely lower drawing of incentives and an increase of aircraft revenues from long-term parking) and the other fees by 74%. As a result of the decrease in traffic, there was also the decrease in the fuel services by 73% and handling services by 67%. The area of aircraft maintenance and overhauls decreased by 17% of revenue. The reduction number of passengers also affected non-aeronautical revenues, such as parking, lounges and the operation of the restaurant, which decreased by 67% in total (the decrease in restaurant revenues was partly influenced by restaurant reconstruction).	Total year-on-year decrease in revenues by CZK 6,319,326 thousand
Rental income	3.1	The decrease of rental income relates to the termination of tenant's contracts and the change in the contractual conditions due to Covid-19.	Total year-on-year decrease in revenues by CZK 81,526 thousand
Rent reduction	10	The Group provided rent discount to tenants due to the restriction of their business at the airport.	Discount CZK 693,577 thousand
Raw material, merchandise and energy, repairs and maintenance services and other services	4,5,6	The decrease in expenses on raw material, merchandise and energy, repairs and maintenance services and other services mainly relates to the decrease in the number of passengers and limited operation of the airport.	Total year-on-year decrease in expenses by CZK 1,245,369 thousand (includes additional Covid-19 expenses, see below)
Additional Covid-19 expenses		In connection with Covid-19, additional expenses incurred, especially for respirators, masks, gloves, disinfections, tests, business and legal consultancy services, leaflets and stickers, etc.	Approx. CZK 14,274 thousand
Severance payment	7	In 2020 the workforce reduced by 622 headcounts due to Covid-19. In this context, there was also the year-on-year decrease of the employee benefits.	Severance payments CZK 148,269 thousand Decrease of employee benefits without impact of severance payments by CZK 620,521 thousand

**2. Basis for preparation (continued)**

Item	Note	Description	Impact
Antivirus government programme – Other operating revenues	9	The Government of the Czech Republic approved a government subvention to staff with the intention to mitigate the negative impact of global spread of Covid-19.	Grant CZK 120,158 thousand
Impairment of non-current assets	8.2, 10	Covid-19 was assessed as the indicator of non-current assets impairment.	Impairment of CZK 45,196 thousand
Write-down of inventory	10	Covid-19 affected valuation and saleability of inventory connected to the aircraft maintenance and overhauls.	Write-down of inventory CZK 33,847 thousand
Provision for expected credit losses	30	The increase of the provision for expected credit losses in 2020 is mainly influenced by the Covid-19 impact on the aviation and travel industry.	Estimated impact CZK 206,143 thousand
Penalisation - revenues	9	In connection with the cancellation of orders in the area of aircraft maintenance and overhaul a contractual penalty was charged to the customer.	Revenue penalty CZK 11,984 thousand
Deferred income tax asset	12	The decrease of the deferred income tax expense is mainly influenced by the tax loss incurrence.	Estimated impact CZK 391,656 thousand
Discontinued operations - aircraft purchase price decrease	13	In connection with Covid-19 due to the aircraft value decrease, the aircraft sale price was reduced	Reduction CZK 280,024 thousand
Discontinued operations – provision for expected credit losses	13	The increase of the provision for expected credit losses in 2020 is mainly influenced by the Covid-19 impact on the aviation and travel industry.	Impact CZK 52,474 thousand
Discontinued operations – additional Covid-19 expenses	13	In connection with discontinued operation the additional Covid-19 expenses incurred, especially for aircraft inspections.	Impact 27,093 thousand

**2.1 Adoption of new or revised standards and interpretations**
**a) Standards and Interpretations effective in the current period**

The following amended standards became effective from 1 January 2020, but did not have any material impact on the Group:

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

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



## **2. Basis for preparation (continued)**

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

#### **a) Standards and Interpretations effective in the current period (continued)**

The following amended standards became effective from 1 January 2020 and have no impact on the Group:

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

The following amended standards became effective from 1 June 2020 and have no impact on the Group:

**Covid-19-Related Rent Concessions** – Amendments to IFRS 16 (issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020). The amendments provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; any reduction in lease payments affects only payments due on or before 30 June 2021; and there is no substantive change to other terms and conditions of the lease. If a lessee chooses to apply the practical expedient to a lease, it would apply the practical expedient consistently to all lease contracts with similar characteristics and in similar circumstances. The amendment is to be applied retrospectively in accordance with IAS 8, but lessees are not required to restate prior period figures or to provide the disclosure under paragraph 28(f) of IAS 8.

#### **b) New accounting standards**

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2021 or later, and which the Group has not early adopted.

**Classification of liabilities as current or non-current** – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022). These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. The right to defer only exists if the entity complies with any relevant conditions as of the end of the reporting period. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.



## **2. Basis for preparation (continued)**

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

#### **b) New accounting standards (continued)**

Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).

The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognised in profit or loss. An entity will use IAS 2 to measure the cost of those items. Cost will not include depreciation of the asset being tested because it is not ready for its intended use. The amendment to IAS 16 also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management.

The amendment to IAS 37 clarifies the meaning of 'costs to fulfil a contract'. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.

IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. Prior to the amendment, IFRS 3 referred to the 2001 Conceptual Framework for Financial Reporting. In addition, a new exception in IFRS 3 was added for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 or IFRIC 21, rather than the 2018 Conceptual Framework. Without this new exception, an entity would have recognised some liabilities in a business combination that it would not recognise under IAS 37. Therefore, immediately after the acquisition, the entity would have had to derecognise such liabilities and recognise a gain that did not depict an economic gain. It was also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test.

Illustrative Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives.

The requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41 was removed. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 1 on classification of liabilities as current or non-current was issued in January 2020 with an original effective date 1 January 2022. However, in response to the Covid-19 pandemic, the effective date was deferred by one year to provide companies with more time to implement classification changes resulting from the amended guidance.

## **2. Basis for preparation (continued)**

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

#### **b) New accounting standards (continued)**

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, 'Making Materiality Judgements' was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates.

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

### **2.2 Consolidation**

#### **a) Subsidiaries**

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

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

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

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

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

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

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

## **2. Basis for preparation (continued)**

### **2.2 Consolidation (continued)**

#### **a) Subsidiaries (continued)**

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

#### **b) Changes in ownership of shares**

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

### **2.3 Critical accounting judgments, estimates and assumptions**

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

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

#### **Going concern assumption**

As at 31 December 2020, the current liabilities exceed the current assets. However, it does not represent any endangerment of the financial position or the going concern of the Group, as the Group has access to further external financing that exceeds the balance of current payables.

#### **Impairment of non-current assets**

For non-current assets the Group considers higher value from the value in use and the fair value less cost to sell.

The fair value less cost to sell is based on the expert estimates of market values.

The forecast cash flows from the long-term plan are used in the determination of the recoverable amounts of cash generating units (CGUs) using the value in use method. There are uncertainties about future economic and market conditions which will impact the assumptions in the long-term plan. It is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year that are different from the assumption could require a material adjustment to the carrying amount of the non-current asset affected.

Due to the next wave of Covid-19 in the spring of 2021 and the postponement of vaccination dates in the Czech Republic, in 2021 the Group expects decrease in number of passengers to 3 million compared to 5 million passengers in the plan. The decrease in passengers will have the estimated impact of the increase in the Group's operating loss before depreciation and amortization by CZK 677,951 thousand (from CZK (52,169) thousand planned to CZK (730,120) thousand expected) in 2021. This fact does not affect the conclusion of the calculation of CGUs impairment of the Group at the end of 2020, when no impairment of Group's CGUs was recognised.

## **2. Basis for preparation (continued)**

### **2.3 Critical accounting judgments, estimates and assumptions (continued)**

#### **Impairment of non-current assets (continued)**

The main assumption of the financial plan of airport is the return in the volume of passengers to the status before the Covid-19 pandemic by the 2025. Therefore, the Group has calculated the effect of the postponement of the return in the volume of passengers by one year on the net book value of CZK 25,978,530 thousand of the non-current assets related to the operation of the airport as at 31 December. The analysis indicates that the impairment of non-current assets would be recognized only if the return in the volume of passengers was postponed more than one year compared to the plan, with the same passengers flow curve being considered in subsequent years.

Another assumption being a source of uncertainty resulting in a material adjustment to the carrying amount of the assets at the end of the reporting period is the volume of the work on the orders received and the EUR exchange rate used in the financial plan of the cash-generating unit aircraft maintenance and overhauls. The carrying amount of the assets related to this cash-generating unit (non-current assets and inventories) is CZK 1 037,574 thousand. According to the sensitivity analysis the decrease in the volume of work orders by 10 % would impair assets by CZK 428,611 thousand and appreciation of the EUR exchange rate by 5 % would impair assets by CZK 313,445 thousand (provided that the Group does not respond to these changes with any measure).

In 2019 the market values confirmed by the sale contract are used as the initial value for the impairment calculation of aircraft.

For more details, see Note 8 and 14.

#### **Investment property - classification**

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

#### **Write-down of inventories**

The amount of write-down of inventories to the net realisable value is based on the estimation of the future sales of the inventories.

#### **Leases of land**

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

Standard IFRS 16 – Leasing gives instruction for the rents with an indefinite period of time. The net value of the lease liability is calculated as the discount of the rent and the carrying value of the liability is amortized during the time. The asset (right-of-use asset) is amortized for 30 years (minimum expected time of the airport existence and therefore also the lease of land). The annual rent is disclosed as the lease interest and as a repayment of the lease liability.

The 2020 acquisition of the part of the land, rented by the Group, is disclosed as the lease liabilities payment in 2020.

#### **Income tax**

The judgement on the recognition and recoverability of a net deferred tax assets results from the long-term plan.



## **2.4 Summary of significant accounting policies**

### **a) Foreign currency translation**

#### **Functional and presentation currency**

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

#### **Transactions and balances**

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

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

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

### **b) Goodwill**

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

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

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

### **c) Customer relationships and other intangible assets**

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

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

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

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

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



## **2. Basis for preparation (continued)**

### **2.4 Summary of significant accounting policies (continued)**

#### **c) Customer relationships and other intangible assets (continued)**

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

#### **d) Property, plant and equipment and Investment properties**

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

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

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

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

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

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

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

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

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

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

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

The estimated useful lives are as follows:

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

## **2. Basis for preparation (continued)**

### **2.4 Summary of significant accounting policies (continued)**

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

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

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

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

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

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

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

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

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

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

#### **e) Leases**

The Group recognizes leases and a corresponding liability at the date at which the leased assets is available for use. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant rate of interest on the remaining balance of the liability for each period.

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

For more of the leasing of the land accounting policies see Note 2.3., 14 and 23.

## **2. Basis for preparation (continued)**

### **2.4 Summary of significant accounting policies (continued)**

#### **f) Derivative financial instruments and hedge accounting**

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

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

The fair values of derivative financial instruments designated in hedge relationships are disclosed in Note 30. Movements in the hedging reserve in shareholders' equity are shown in Note 21. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

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

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

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

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

The Group does not qualify certain derivative instruments for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other financial gains or losses.

#### **g) Inventories**

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

#### **h) Trade and other receivables**

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

## **2. Basis for preparation (continued)**

### **2.4 Summary of significant accounting policies (continued)**

#### **h) Trade and other receivables (continued)**

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

#### **i) Cash and cash equivalents**

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

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

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

#### **j) Interest-bearing borrowings**

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

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

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

#### **k) Bonds**

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

#### **l) Provisions**

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



## **2. Basis for preparation (continued)**

### **2.4 Summary of significant accounting policies (continued)**

#### **m) Employee benefits**

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

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

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

#### **n) Revenue recognition**

##### Revenue from contracts with customers

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

##### Rental income

The accounting policies for the revenue from rental income are explained in Note 3.2 b).

##### Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions. Government grants to cover the expenses are disclosed as the other operating revenues.

##### Interest income

Interest income is recognised using the effective interest method.

#### **o) Operating profit**

Operating profit comprises profit for the year before net financial income and expenses and before income tax expenses. Financial income and expenses mainly comprise interest expenses and income, see Note 11.

#### **p) Income tax**

##### Current income tax

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

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

##### Deferred income tax

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

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



## **2. Basis for preparation (continued)**

### **2.4 Summary of significant accounting policies (continued)**

#### **p) Income tax (continued)**

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

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

#### **q) Contingent liabilities**

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

#### **r) Related party transactions**

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

#### **s) Fair value of financial instruments**

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

##### Cash and cash equivalents

The fair value of cash at bank is calculated based on the evaluation of the bank risk according to the individual rating categories of S&P Global.

##### Current receivables and payables

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

##### Derivative financial instruments

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

##### Long-term Debt

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

## **2. Basis for preparation (continued)**

### **2.4 Summary of significant accounting policies (continued)**

#### **s) Fair value of financial instruments (continued)**

##### Fair value estimation

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

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

#### **t) Subsequent Events**

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

#### **u) Carbon allowances**

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

### 3. Revenue from contracts with customers and rental income

#### 3.1 Disaggregation of revenue

The Group derives revenue in the following major categories:

CZK'000	2020	2019 (as restated)
<b>Revenues from contracts with customers</b>		
Aeronautical revenues		
Passenger fees	992,872	4,632,846
Plane fees	352,175	1,024,999
Other fees	63,805	243,462
Aircraft maintenance and overhauls	1,403,536	1,688,062
Handling, storage, aircraft fuelling and sale of fuel	228,333	860,216
Handling services	192,191	586,495
Total aeronautical revenues	3,232,912	9,036,080
Non-aeronautical revenues		
Energy and utilities	147,609	179,153
Non-aeronautical services to passengers	183,184	547,615
Other	197,228	317,412
Total non-aeronautical revenues	528,021	1,044,180
Total revenues from contracts with customers	3,760,933	10,080,260
<b>Rental income</b>		
Total rental income	1,358,339	1,439,864
<b>Total revenue</b>	<b>5,119,272</b>	<b>11,520,124</b>

The decrease of revenues from contracts with customers in 2020 resulted from a major impact of Covid-19 on aviation sector and travel industry.

The rent reductions granted to tenants are stated in note 10.

#### 3.2 Accounting policies and significant judgements

##### a) Revenue from contracts with customers

##### Aeronautical fees

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

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

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

#### **3.2 Accounting policies and significant judgements (continued)**

##### **a) Revenue from contracts with customers (continued)**

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

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

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

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

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

The Group also provides incentives in the form of the contribution to realized marketing campaigns for the airport. These incentives are standard marketing expenses that arise at the moment the expense is incurred, therefore they are included in the service expenses of the current period.

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

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

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

##### **Aircraft maintenance and overhauls**

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

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



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

#### **3.2 Accounting policies and significant judgements (continued)**

##### **a) Revenue from contracts with customers (continued)**

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

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

Other activities of the Group are linked to components and consumables. PBH (power by hour) is product where airlines pay fix rate per flying hour and it contains complete support of selected components. Other products for components are their sale, rent and standard exchange, where company provides component in advance against its return and subsequent repair. Last component product is their test, repair or overhaul. In the area of consumables, sales and / or consignment warehouses are provided. Sales of consumable is realized based either on demand or through the newly created e-shop. The standard maturity of issued invoices is 30 days. The advance payments and payments by credit card are also used.

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

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

##### **Handling, storage, aircraft fueling and sale of fuel**

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

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

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

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



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

#### **3.2 Accounting policies and significant judgements (continued)**

##### **a) Revenue from contracts with customers (continued)**

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

##### **Handling services**

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

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

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

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

From October 2020 the Group provides handling services to Smartwings Group. The Group received the deposit that covers handling services for the period of 1 months and this amount is updated either quarterly or based on the changes in the scope of the operation. Invoicing is done on weekly period with 7-workday maturity period.

##### **Energy and utilities**

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

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

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

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

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

##### **Non-aeronautical services to passengers**

##### **Parking**

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

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

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

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

#### **3.2 Accounting policies and significant judgements (continued)**

##### **a) Revenue from contracts with customers (continued)**

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

##### ***Lounges***

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

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

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

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

##### ***Operation of gastronomic establishment***

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

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

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

##### **Other**

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

##### **b) Rental income**

##### **Commercial rent of premises, land and advertising space**

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

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

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

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

#### 3.2 Accounting policies and significant judgements (continued)

##### b) Rental income (continued)

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

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

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

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

The discounts granted to tenants for the period of 2020 in which the air transport were restricted due to Covid-19 in the Czech Republic are recognized under IFRS 9 as a loss in the consolidated statement of profit or loss with a corresponding reduction to the lease receivable for the period in which the reduction was contractually agreed.

#### 3.3 Assets and liabilities related to contracts with customers

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

CZK'000	31 December 2020	31 December 2019
Current contract assets relating to aircraft maintenance and overhauls	32,822	36,039
Loss allowance	(3,932)	-
<b>Total contract assets</b>	<b>28,890</b>	<b>36,039</b>
Contract liabilities – aeronautical liabilities	24,630	41,232
Contract liabilities – parking	720	3,502
Contract liabilities – sale of aircraft deposit	-	51,610
Contract liabilities – other	388	607
<b>Total current contract liabilities</b>	<b>25,738</b>	<b>96,951</b>
Refund liabilities	36,246	243,506
<b>Total liabilities</b>	<b>61,984</b>	<b>340,457</b>

Contract assets relating to aircraft maintenance and overhauls are un-finished aircraft repairs. The amount as at 31 January 2020 and as at 31 December 2019 depends on the number of un-finished aircraft repairs at the end of the year and is influenced by the ordinary business activities of the Group. The amount of contract assets is calculated based on input method on the basis of the entity's inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation.

The main reason for the change of contract liabilities is the deposit from the buyer of aircraft in the amount of CZK 51,610 thousand as at 31 December 2019. Other changes of contract liabilities between 31 December 2019 and 31 December 2020 are mainly affected by the air traffic decline due to Covid-19 in 2020.

The refund liabilities include mostly the incentives to the airlines. The decrease of the refund liabilities between 31 December 2019 and 31 December 2020 is mainly affected by the air traffic decline due to Covid-2019 in 2020.

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

#### 3.3 Assets and liabilities related to contracts with customers (continued)

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

CZK'000	2020	2019
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Contract liabilities – aeronautical liabilities	41,052	21,689
Contract liabilities – parking	3,502	2,580
Contract liabilities – aircraft sale deposit *)	51,610	8,278
Contract liabilities – other	589	351

\*) included in discontinued operations

Revenue related to performance obligations that were satisfied in a prior year are recognised in the amount of CZK 0 thousand in 2020 and CZK 8,805 thousand in 2019.

### 4. Raw material, merchandise and energy

The breakdown of the 2020 and 2019 raw material, merchandise and energy expenses is as follows:

CZK'000	2020	2019
Cost of aviation fuel sold	179,926	677,187
Aircraft material consumption and merchandise costs	373,379	452,298
Other material consumed and merchandise costs	192,368	359,350
Energy consumption	216,211	267,988
Total	961,884	1,756,823

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

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

The decrease in raw material, merchandise and energy expenses is mainly affected by the air traffic decline due to Covid-19 in 2020.

### 5. Repairs and maintenance services

CZK'000	2020	2019
Aircraft and rotables repairs and maintenance	128,279	197,270
Other repairs and maintenance	105,816	147,778
Total	234,095	345,048

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

The decrease in repairs and maintenance services expenses is mainly affected by the air traffic decline and by the cost-saving measures, due to Covid-19 in 2020.



## 6. Other services

Services can be analysed as follows:

CZK'000	2020	2019 (as restated)
Marketing, advertising, promotion	82,345	187,846
IT and related services	160,651	154,668
Anti-noise measures	37	150,013
Cleaning services	56,857	70,576
Services for passengers	36,417	38,308
Agency workers	4,964	31,570
Training	16,160	29,155
Transport services and postage	20,074	24,713
Consultation and expert services	25,474	23,381
Technical maintenance costs	19,688	21,984
Rotables operating leases	18,154	19,246
Medical services	26,008	17,150
Waste disposal	10,775	15,438
Travel expenses	3,787	14,307
Handling services	5,168	11,083
Environmental services	9,865	9,433
Weather forecasts	8,168	9,348
Short-term rent expenses and other operating leasing	5,794	6,000
Subcontractors on aircraft maintenance and overhauls work	17,304	5,843
Other services	77,675	104,780
<b>Total</b>	<b>605,365</b>	<b>944,842</b>

The decrease in other services expenses is mainly affected by the air traffic decline and by the cost-saving measures, due to Covid-19 in 2020.

## 7. Employee benefits

Employee benefits can be analysed as follows:

CZK'000	Total 2020	Out of which: Management	Total 2019 (as restated)	Out of which: Management (as restated)
Wages and salaries	2,238,398	47,664	2,558,121	50,453
Social security and health costs	273,617	5,343	328,292	5,564
Defined contribution pension cost	480,994	6,691	575,569	6,231
Jubilee benefits	3,581	-	3,862	-
Other employee benefits	77,899	-	80,897	-
<b>Total</b>	<b>3,074,489</b>	<b>59,698</b>	<b>3,546,741</b>	<b>62,248</b>

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

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

Average recalculated number of employees of the Group in 2020 and 2019 was 3,916 persons and 4,168 persons.

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

## **7. Employee benefits (continued)**

In 2020 the workforce was reduced by 622 employees in connection with the restriction of the business due to Covid 19. The Group included in employee benefits expenses for severance payments due to Covid-19 in the amount of CZK 148,269 thousand in 2020.

## **8. Impairment of non-current assets**

Given the significant impact of Covid-19 in 2020, the management of the Group has assessed that there are indicators of impairment of the Group's CGUs and has undertaken the following:

- Identified the Group's CGU.
- Calculated an impairment test of the Group's CGUs.
- Tested specific individual assets for impairment where they are not expected to contribute to the cash flows of the CGUs under the plan.

### **8.1 Identification of CGUs**

CGUs are the lowest identifiable group of assets that generate largely independent cash inflows and are determined based on how performance is monitored and how decisions to acquire and dispose of the Group's assets and operations are made. The Group has identified CGUs for 2020:

- Current airport operation and development of the airport activity
- Aircraft maintenance and overhauls
- Handling services

### **8.2 Impairment testing**

IAS 36 – Impairment of Assets requires the assessment at the end of each reporting period as to whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. The recoverable amount of an asset is the higher of its fair value less cost to sell and its value in use.

The recoverable amount is determined for an individual assets where possible; otherwise, the recoverable amount of the CGU to which the asset belongs to shall be determined.

Value in use is the present value of the future cash inflows expected to be derived from an asset or CGU.

Fair value less costs to sell is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date, less the incremental costs directly attributed to disposal.

Where the carrying value of the asset exceeds its recoverable amount, the carrying amount of the asset is reduced to its recoverable amount through the recognition of an impairment loss.

#### **Impairment test of individual assets (where not expected to contribute to the cash flows of the CGUs under the CGU plan)**

With the impact of Covid-19 the Group is planning to sale part of the rotables which are not related to the further activities of the Group. The recoverable amount of these rotables is determined using a fair value less cost to sell model. The fair value less costs to sell is estimated based on the market price of the similar rotables with the deduction of 30% due to Covid-19 impact (the deduction results from the European Union Aviation Safety Agency (EASA) publications). The Group recognised an impairment of CZK 39,723 thousand in 2020 in the item Other operating expenses in the consolidated statement of profit or loss.

Investment property includes also buildings rented. These buildings is tested using a value in use model. The value in use is calculated by discounting expected future cash flows. In the model, the discount rate 11% is used (exit yield used for perpetuity calculation increased by targeted long-term inflation rate). The Group recognised an impairment of CZK 5,473 thousand in 2020 in the item Other operating expenses in the consolidated statement of profit or loss.

## 8. Impairment of non-current assets (continued)

### 8.2 Impairment testing (continued)

#### Impairment test of CGUs

The impairment test for CGUs includes the allocation of the assets to identified CGUs and the determination of the recoverable amount of the CGU based on their value in use.

The value in use of CGU – current airport operation and the development of the airport was determined by discounting the future cash flows forecast in the long-term plan of the airport and the development plan. The plans were prepared with reference to expected passengers scenarios. A pre-tax discount rate of 7.9% has been used in discounting the projected cash flows of the CGU, reflecting a market estimate of the weighted average cost of capital of the Václav Havel Airport Prague. Given the uncertainty of the impact and timing of Covid-19, the Group has adjusted the cash flows under the long-term plan and the development plan for these uncertainties rather than the discount rate. As a result of the calculation no impairment was recognised within CGU – current airport operation and the development of the airport. The carrying amount of the assets related to CGU – current airport operation and the development of the airport is CZK 31,710,970 thousand as at 31 December 2020.

The value in use of CGU – Aircraft maintenance and overhauls was determined by discounting the future cash flows forecast in the long-term plan. The plan was prepared for individual activities taking into account the assessment of the expected aircraft maintenance and overhauls market developments by an independent consultant. A pre-tax discount rate of 10.58% has been used in discounting the projected cash flows of the CGU, reflecting a market estimate of the weighted average cost of capital of the Czech Airlines Technics a.s. Given the uncertainty of the impact and timing of Covid-19, the Group has adjusted the cash flows under the long-term plan for these uncertainties rather than the discount rate. As a result of the calculation no impairment was recognised within CGU – aircraft maintenance and overhauls. The carrying amount of the assets (incl. inventories) related to CGU – Aircraft maintenance and overhauls is CZK 1,037,574 thousand as at 31 December 2020.

The value in use of CGU – Handling services was determined by discounting the future cash flows forecast in the long-term plan. The Group has adjusted the cash flows forecast for estimated uncertainty of the main carrier failure. The long-term plan of handling services was prepared with reference to expected passengers scenarios. A pre-tax discount rate of 9.71% has been used in discounting the projected cash flows of the CGU, reflecting a market estimate of the weighted average cost of capital of the Czech Airlines Handling a.s. Given the uncertainty of the impact and timing of Covid-19, the Group has adjusted the cash flows under the long-term plan for these uncertainties rather than the discount rate. As a result of the calculation no impairment was recognised within CGU – handling services. The carrying amount of the assets related to CGU – Handling services is CZK 263,601 thousand as at 31 December 2020.

## 9. Other operating income

Other operating income can be analysed as follows:

CZK'000	2020	2019 (as restated)
Net gain from disposal of property, plant and equipment	33,518	38,349
Revenues from sale of inventories	23,602	18,914
Change in impairment of inventories	-	17,871
Impairment of buildings	10,401	-
Penalisation	23,043	13,907
Proceedings from insurance companies	3,858	4,068
Antivirus government programme	120,158	-
Currency swaps	11,741	-
Other	41,523	58,175
Total	267,844	151,284

## 9. Other operating income (continued)

### Antivirus government programme

In March 2020 the Government of the Czech Republic approved a government subvention to staff costs (the Antivirus Programme) - an employment protection measure with the intention to mitigate the negative impact of the global spread of Covid-19. The subsidy applies to employers whose employees have been quarantined, isolated, or hindered at work as a result of the government regulations and emergency measures. In 2020, the Group received a subsidy from the Antivirus programme in the amount of CZK 120,158 thousand.

## 10. Other operating expenses

Other operating expenses can be analysed as follows:

CZK'000	2020	2019 (as restated)
Rent reduction	693,577	-
Insurance premium costs	90,452	68,643
Contributions to municipalities and gifts	34,030	47,230
Inventories sold	18,032	18,502
Impairment charges		
rotables	39,723	19,521
property, plant and equipment and spare parts	-	2,314
investment property	5,473	-
inventories	33,847	-
intangible assets	829	-
Penalisation (including disabled worker penalty)	568	156
Other	33,312	34,264
<b>Total</b>	<b>949,843</b>	<b>190,630</b>

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

### Rent reduction

Rent reduction includes the discounts granted to tenants for the period of 2020 in which the air transport were restricted due to Covid-19 in the Czech Republic. These reductions are recognized under IFRS 9 as a loss in the consolidated statement of profit or loss with a corresponding reduction to the lease receivable in the period in which the reduction was contractually agreed.



## 11. Financial income and expenses

The breakdown of the 2020 and 2019 financial income and expenses is as follows:

CZK'000	2020	2019 (as restated)
Bank and other interest income	16,420	61,049
Other financial income	143	16
Interest and other financial income	16,563	61,065
Interest expense on bank loan	110	466
Lease interest	7,347	14,425
Interest expense on bonds	5,923	13,319
Total interest expense	13,380	28,210
Amount capitalised	(6,033)	(12,777)
Other financial expenses and revenues	1,452	4,434
Interest and other financial expenses	8,799	19,867

## 12. Income tax

Income tax expenses of the 2020 and 2019 can be analysed as follows:

CZK'000	2020	2019 (as restated)
Current income tax charge	-	701,984
Deferred income tax income	(355,729)	(7,417)
Adjustments in respect of current income tax of previous periods	2,635	(8,652)
Income tax from additional tax assessment	1,673	-
Retrospective utilisation of tax loss generated in the year 2020	(17,100)	-
Income tax (revenue) / expense	(368,521)	685,915

The Group has used the option of retrospective utilisation of the tax loss which was approved in the Czech Republic in order to mitigate the impact of the novel coronavirus causing the Covid-19 disease. In line with the conditions, the tax loss generated in the year ending 31 December 2020 at the maximum allowed amount of CZK 30,000 thousand for company, totally CZK 90,000 thousand for the Group, was utilised retrospectively and settled with the tax base of the year ending 31 December 2018, and the related tax receivable in the amount CZK 17,100 thousand was presented as income tax asset.

Reconciliation of income tax expenses applicable to loss / profit before income tax from continuing operations at the statutory income tax rate to income tax expenses at the Group's effective income tax rate for the years 2020 and 2019 is as follows:

CZK'000	2020	2019 (as restated)
(Loss) / profit before income tax	(2,306,788)	3,369,648
Statutory income tax rate	19%	19%
Expected income tax (income) / expense using statutory income tax rates	(438,290)	640,233
Tax effect of expenses that are not deductible in determining taxable profit	30,134	80,190
Tax effect of revenues that are not taxable in determining taxable profit	(2,939)	(25,086)
Change of unrecognised deferred tax asset	38,266	-
Adjustments in respect of current income tax of previous periods	4,308	(8,652)
Tax discount	-	(770)
Income tax (revenue) / expense	(368,521)	685,915
Effective tax rate	16.0%	20.4%

**12. Income tax (continued)**

The current income tax liability:

CZK'000	2020	2019
As at 1 January	-	(46,605)
Adjustment of current income tax in relation to prior periods based on filed corporate income tax return	-	8,288
Paid income tax of prior periods	-	79,427
Transfer to income tax asset	-	(41,110)
As at 31 December	-	-

The current income tax asset:

CZK'000	2020	2019
As at 1 January	39,853	46,587
Adjustment of current income tax in relation to prior periods based on filed corporate income tax return	(2,635)	364
Additional tax assessment	(1,673)	-
Paid income tax of prior periods	(16,078)	(6,050)
Transfer from income tax liability	-	41,110
Returns of income tax and advances	(4,469)	(67,011)
Other	-	(2)
Paid advances for income tax	8,973	726,839
Retrospective utilisation of tax loss	17,100	-
Current income tax charge for the year	-	(701,984)
As at 31 December	41,071	39,853

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

The deferred tax asset and the deferred tax liability as at 31 December 2020 and 31 December 2019 can be analysed as follows:

CZK'000	31 December 2020	31 December 2019
Deferred tax to be realized within 12 months	(22,473)	(50,984)
Deferred tax to be realized after more than 12 months	(55,978)	(388,723)
Deferred tax liability	(78,451)	(439,707)
Deferred tax to be realized within 12 months	13,810	12,125
Deferred tax to be realized after more than 12 months	28,452	30,352
Deferred tax asset	42,262	42,477

The deferred tax liability and asset as at 31 December 2020 are calculated at 19% (the rate enacted for and after 2021). The deferred tax liability and asset as at 31 December 2019 were calculated at 19% (the rate enacted for and after 2020).

## 12. Income tax (continued)

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

### Deferred tax liabilities

CZK'000	Difference between tax and book value of fixed assets	Amortisation of borrowings	Derivatives	Other	Total
As at 1 January 2019	(540,299)	(12)	-	(1,433)	(541,744)
Credited / (Debited) to the profit or loss – continuing operations	9,527	12	-	(115)	9,424
Debited to the profit or loss – discontinued operations	(86,510)	-	-	-	(86,510)
Credited to equity	-	-	(1,390)	-	(1,390)
As at 31 December 2019	(617,282)	-	(1,390)	(1,548)	(620,220)
Credited to the profit or loss – continuing operations	19,465	-	-	1,548	21,013
Credited to the profit or loss – discontinued operations	86,510	-	-	-	86,510
Credited to equity	-	-	1,390	-	1,390
As at 31 December 2020	(511,307)	-	-	-	(511,307)
Offsetting					432,856
As at 31 December 2020					(78,451)

### Deferred tax assets

CZK'000	Valuation allowances and impairments	Provisions	Employee benefits	Derivatives	Tax loss	Other	Total
As at 1 January 2019	106,714	6,122	4,936	7	-	21,013	138,792
Credited / (Debited) to the profit or loss – continuing operations	(10,613)	5,317	230	-	(3,578)	6,637	(2,007)
Credited to the profit or loss – discontinued operations	81,071	-	-	-	5,141	-	86,212
Credited to equity	-	-	-	(7)	-	-	(7)
As at 31 December 2019	177,172	11,439	5,166	-	1,563	27,650	222,990
Credited / (Debited) to the profit or loss – continuing operations	4,588	(6,918)	(384)	-	345,829	(8,399)	334,716
Debited to the profit or loss – discontinued operations	(81,071)	-	-	-	(1,563)	-	(82,634)
Credited to equity	-	-	-	46	-	-	46
As at 31 December 2020	100,689	4,521	4,782	46	345,829	19,251	475,118
Offsetting							(432,856)
As at 31 December 2020							42,262

## 12. Income tax (continued)

### Unrecognised deferred tax asset

CZK'000	31 December 2020	31 December 2019
Tax loss – discontinued operations	52,876	-
Impairment – discontinued operations	9,973	-
Impairment – continuing operations	38,266	-
Deferred tax asset	101,115	-

Unrecognised deferred tax asset from the discontinued operations in the amount of CZK 62,849 thousand has incurred by a subsidiary that is not likely to generate taxable gain in the foreseeable future. Unrecognised deferred tax asset in the amount of CZK 38,266 is the part of the deferred tax asset which is not supposed to be realized in the future based on the financial plan of the subsidiary. The tax loss can be claimed against taxable profit within 5 years of its occurrence.

## 13. Discontinued operations

The aircraft rent activity of the subsidiary B. aircraft, a.s. was terminated in 2020. After termination of this activity, the aircraft owned by B. aircraft, a.s. was sold. The expenses and revenues related to the aircraft rent are presented as discontinued operation in 2019 and 2020. The consolidated statement of profit or loss for the year ended 31 December 2019 has been restated.

### Profit or loss of discontinued operation

CZK'000	2020	2019
Revenues	115,802	331,523
Expenses	(193,878) **	(307,018)
(Loss) / profit from aircraft sale	(280,024) *	13,790
<i>of which revenues from aircraft sale</i>	658,583	549,432
<i>of which expenses of aircraft sale</i>	(938,607)	(535,642)
(Loss) / profit from operating activities	(358,100)	38,295
Net financial loss	(2,163)	(16)
(Loss) / profit before tax	(360,263)	38,279
Income tax income / (expense)	3,876	(298)
(Loss) / profit for the year	(356,387)	37,981

The post-tax loss on disposal of the assets constituting the discontinued operation is CZK 275,148 thousand.

\* Covid-19 impact – aircraft purchase price discount CZK 280,024 thousand

\*\* As of covid-19 impact - allowance for bad debts CZK 52,474 thousand and additional expenses CZK 27,093 thousand

### Cash flow from discontinued operation

CZK'000	2020	2019
Net cash from operating activities	85,366	374,130
Net cash from investing activities	527,936	242,264
Net cash for the year	613,302	616,394



**14. Property, plant and equipment**

Cost CZK'000	Land	Constructions and runways	Machinery and equipment	Vehicles, fixtures and fittings and other tangibles	Aircraft	Construction in progress	Total
As at 1 January 2020	15,609,706	28,008,041	6,259,044	1,869,660	2,461,474	1,943,181	56,151,106
Additions *)	172,333	1,333,005	1,096,065	230,993	91	(381,576)	2,450,911
Transfers IFRS 16 - Leases	1,331,468	-	-	-	-	-	1,331,468
Transfers IAS 16 and 40	(20,196)	-	-	-	-	-	(20,196)
Transfers	-	-	1,982	(1,982)	-	-	-
Disposals	(7,962)	(174,920)	(434,235)	(39,982)	(2,461,565)	(4 895)	(3,123,559)
As at 31 December 2020	17,085,349	29,166,126	6,922,856	2,058,689	-	1,556,710	56,789,730

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

Accumulated depreciation and impairment CZK'000	Land	Constructions and runways	Machinery and equipment	Vehicles, fixtures and fittings and other tangibles	Aircraft	Construction in progress	Total
As at 1 January 2020	-	(17,261,519)	(4 612,016)	(1,236,722)	(1,403,399)	(568)	(24,514,224)
Depreciation	-	(1,052,755)	(362,925)	(134,613)	(119,559) *)	-	(1,669,852)
Transfers	-	-	(1,784)	1,784	-	-	-
Disposals	-	174,400	420,319	36,850	1,522,958	-	2,154,527
Change in impairment	-	10,401	(39,723)	-	-	-	(29,322)
As at 31 December 2020	-	(18,129,473)	(4,596,129)	(1,332,701)	-	(568)	(24,058,871)

\*) Included in discontinued operations

Cost CZK'000	Land	Constructions and runways	Machinery and equipment	Vehicles, fixtures and fittings and other tangibles	Aircraft	Construction in progress	Total
As at 1 January 2019	15,497,337	26,464,558	5,837,343	1,729,417	3,487,127	1,261,686	54,277,468
Additions *)	26,594	1,466,536	648,262	177,096	467,281	681,811	3,467,580
Transfers IAS 16 and 40	85,775	145,225	-	-	-	-	231,000
Disposals	-	(68,278)	(226,561)	(36,853)	(1,492,934)	(316)	(1,824,942)
As at 31 December 2019	15,609,706	28,008,041	6,259,044	1,869,660	2,461,474	1,943,181	56,151,106

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

Accumulated depreciation and impairment CZK'000	Land	Constructions and runways	Machinery and equipment	Vehicles, fixtures and fittings and other tangibles	Aircraft	Construction in progress	Total
As at 1 January 2019	-	(16,275,353)	(4,498,603)	(1,149,529)	(2,061,587)	(568)	(23,985,640)
Depreciation	-	(948,518)	(291,358)	(123,712)	(278,226) *)	-	(1,641,814)
Transfers IAS 16 and 40	-	(105,428)	-	-	-	-	(105,428)
Disposals	-	68,124	199,437	36,519	957,292	-	1,261,372
Change in impairment	-	(344)	(21,492)	-	(20,878)	-	(42,714)
As at 31 December 2019	-	(17,261,519)	(4,612,016)	(1,236,722)	(1,403,399)	(568)	(24,514,224)

\*) Included in discontinued operations

#### 14. Property, plant and equipment (continued)

Carrying amounts CZK'000	Land	Constructions and runways	Machinery and equipment	Vehicles, fixtures and fittings and other tangibles	Aircraft	Construction in progress	Total
As at 1 January 2019	15 497 337	10,189,205	1,338,740	579,888	1,425,540	1,261,118	30,291,828
As at 31 December 2019	15,609,706	10,746,522	1,647,028	632,938	1,058,075	1,942,613	31,636,882
As at 31 December 2020	17,085,349	11,036,653	2,326,727	725,988	-	1,556,142	32,730,859

As at 31 December 2020 and as at 31 December 2019, part of the land recognised in the balance sheet was encumbered by easements. The easements relate only to a relatively negligible area of the land involved (assessed by management as below 1% of the total area). The easements relate mainly to enabling the maintenance of standard utilities and communication networks.

In 2020, the Group received a contribution from the State Fund for Transport Infrastructure in the amount of CZK 123,208 thousand to finance the acquisition of airport equipment designated to protect civil aviation against acts of unlawful interference.

##### Aircraft

The Group's fleet as at 31 December 2019 included 4 aircraft A319-100 in B. aircraft, a.s.

In 2019, the Group considered the value of aircraft and identified the indicators for impairment. Consequently, the impairment analysis was made based on the fair value approach. The basis for the analysis of the aircraft impairment was the selling price offered by the aircraft buyer valid as at 31 December 2019.

The recoverable amount of the aircraft was CZK 1,058,075 thousand as at 31 December 2019. Level 3 is used for fair value assessment. In 2019 the Group recognized impairment of aircraft in the amount of CZK 20,878 thousand.

In 2020 the aircraft were sold, therefore the impairment cost is included in the discontinued operation.

##### Leases

The Group leases the land.

Cost CZK'000	Lease assets
As at 1 January 2019	1,768,181
Additions	64,975
As at 31 December 2019	1,833,156
Additions	50,442
Transfers to IAS 16 and IAS 40	(1,552,910)
Disposals	(47,888)
As at 31 December 2020	282,800

Accumulated depreciation and impairment CZK'000	Lease assets
As at 1 January 2019	(58,940)
Depreciation	(61,179)
As at 31 December 2019	(120,119)
Depreciation	(31,139)
Transfers to IAS 16 and IAS 40	121,507
Disposals	3,213
As at 31 December 2020	(26,538)

## 14. Property, plant and equipment (continued)

Carrying amounts CZK'000	Lease assets
As at 1 January 2019	1,709,241
As at 31 December 2019	1,713,037
As at 31 December 2020	256,262

For further details, see Note 23.

## 15. Investment properties

Cost CZK'000	Land	Buildings	Total
As at 1 January 2020	1,783,283	439,957	2,223,240
Additions	57,658	516	58,174
Transfer IFRS 16 – Leases	26,191	-	26,191
Transfers IAS 16 and IAS 40	20,196	-	20,196
As at 31 December 2020	1,887,328	440,473	2,327,801

Accumulated depreciation and impairment CZK'000	Land	Buildings	Total
As at 1 January 2020	-	(357,834)	(357 834)
Depreciation	-	(10,070)	(10,070)
Change in impairment	-	(5,473)	(5,473)
As at 31 December 2020	-	(373,377)	(373,377)

Cost CZK'000	Land	Buildings	Total
As at 1 January 2019	1,869,058	577,283	2,446,341
Additions	-	7,899	7,899
Transfers IAS 16 and IAS 40	(85,775)	(145,225)	(231,000)
As at 31 December 2019	1,783,283	439,957	2,223,240

Accumulated depreciation and impairment CZK'000	Land	Buildings	Total
As at 1 January 2019	-	(449,274)	(449,274)
Depreciation	-	(13,988)	(13 988)
Transfers IAS 16 and IAS 40	-	105,428	105,428
As at 31 December 2019	-	(357,834)	(357 834)

Carrying amounts CZK'000	Land	Buildings	Total
As at 1 January 2019	1,869,058	128,009	1,997,067
As at 31 December 2019	1,783,283	82,123	1,865,406
As at 31 December 2020	1,887,328	67,096	1,954,424

The fair market value of the land classified as investment property, for major land determined by an independent appraisal, as at 31 December 2020 and as at 31 December 2019 amounted to CZK 2,748,221 thousand and CZK 2,356,779 thousand, respectively. The expert used the market comparison method for valuation.



## 15. Investment properties (continued)

The fair value of the buildings classified as investment property, for major buildings determined by an independent appraisal or by qualified estimation, as at 31 December 2020 and 2019 amounted to CZK 134,562 thousand and CZK 144,812 thousand, respectively. For valuation were used the income method of valuation (discounted cash flow) or the capitalization of net income model. In the model, a discount rate 11% as at 31 December 2020 and 6.5% and 7.5% as at 31 December 2019 were used.

Level 3 is used for fair value assessment.

Details of the relevant investment property profit or loss items are as follows:

CZK'000	Land		Buildings	
	2020	2019	2020	2019
Rental income from investment property	53,520	65,341	25,662	24,129
Direct operating expenses	932	646	7,953	8,526

## 16. Intangible assets and goodwill

Cost CZK'000	Software and other intangibles	Goodwill	Customer relationships, certificates, trademarks	Intangibles in progress	Total
As at 1 January 2020	1,030,457	11,084	396,408	22,025	1,459,974
Additions *)	71,146	-	-	6,131	77,277
Disposals	(25,359)	-	-	(594)	(25,953)
As at 31 December 2020	1,076,244	11,084	396,408	27,562	1,511,298

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

Accumulated amortization and impairment CZK'000	Software and other intangibles	Goodwill	Customer relationships, certificates, trademarks	Intangibles in progress	Total
As at 1 January 2020	(871,965)	-	(248,486)	(15)	(1,120,466)
Depreciation	(59,205)	-	(11,565)	-	(70,770)
Disposals	19,991	-	-	-	19,991
Change in impairment	(829)	-	-	-	(829)
As at 31 December 2020	(912,008)	-	(260,051)	(15)	(1,172,074)

Cost CZK'000	Software and other intangibles	Goodwill	Customer relationships, certificates, trademarks	Intangibles in progress	Total
As at 1 January 2019	967,841	11,084	396,408	15,338	1,390,671
Additions *)	64,655	-	-	6,687	71,342
Disposals	(2,039)	-	-	-	(2,039)
As at 31 December 2019	1,030,457	11,084	396,408	22,025	1,459,974

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

Accumulated amortization CZK'000	Software and other intangibles	Goodwill	Customer relationships, certificates, trademarks	Intangibles in progress	Total
As at 1 January 2019	(804,142)	-	(236,922)	(15)	(1,041,079)
Depreciation	(68,050)	-	(11,564)	-	(79,614)
Disposals	227	-	-	-	227
As at 31 December 2019	(871,965)	-	(248,486)	(15)	(1,120,466)



**16. Intangible assets and goodwill (continued)**

Carrying amounts CZK'000	Software and other intangibles	Goodwill	Customer relationships, certificates, trademarks	Intangibles in progress	Total
As at 1 January 2019	163,699	11,084	159,486	15,323	349,592
As at 31 December 2019	158,492	11,084	147,922	22,010	339,508
As at 31 December 2020	164,236	11,084	136,357	27,547	339,224

The item Customer relationships, certificates, trademarks includes also trademarks in the carrying amounts of CZK 57,325 thousand and CZK 57,325 thousand as at 31 December 2020 and 2019, respectively.

**17. Inventories**

As at 31 December 2020 and as at 31 December 2019, inventories consist of the following:

CZK'000	31 December 2020	31 December 2019
Raw materials and other supplies	285,652	339,654
Finished goods, at cost	17,166	24,095
Advances granted for inventory	418	465
Livestock, at cost	906	833
Total inventory - net	304,142	365,047

Excess, obsolete and slow-moving inventory has been written down to its estimated net realisable value by an allowance account. The allowance is determined by the management based on inventory turnover and its expected future utilisation. The amount of allowances for obsolete inventory recognised as expense / (income) in 2020 and 2019 totalled CZK 33,410 thousand and CZK (17,946) thousand, respectively. The allowance to inventories resulted from a major impact of Covid-19 in 2020. The creation of an allowance for obsolete inventory has been included in the Other operating expenses line in the profit or loss. The release of the allowance for obsolete inventory is included in the Other operating income line in the profit or loss.

**18. Trade and other receivables**

As at 31 December 2020 and as at 31 December 2019, trade and other receivables consist of the following:

CZK'000	31 December 2020	31 December 2019
Trade accounts receivable *)	712,672	1,315,844
Contract assets **)	32,822	36,039
Unbilled revenue *)	74,113	184,254
Receivables from tax authority **)	86,640	49,439
Derivatives *)	803	8,769
Other receivables **)	27,374	39,462
Less allowance for bad debts (relates to Trade accounts receivable)	(342,292)	(93,485)
Less allowance for bad debts (relates to Unbilled revenue)	(14,917)	(10,417)
Less allowance for bad debts (relates to Contract assets)	(3,932)	-
Less allowance for bad debts (relates to Receivables from tax authority and Other)	(2,738)	(2,806)
Total trade and other receivables - net	570,545	1,527,099

\*) Financial assets

\*\*) Non-financial assets

## 18. Trade and other receivables (continued)

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

Receivables from the tax authority as at 31 December 2020 and as at 31 December 2019 consist in particular of a VAT receivable in the amount of CZK 86,640 thousand and CZK 49,439 thousand, respectively.

## 19. Prepayments and other current assets

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

## 20. Cash and cash equivalents

As at 31 December 2020 and as at 31 December 2019, cash and cash equivalents consist of the following:

CZK'000	31 December 2020	31 December 2019
Cash at bank - net	101,581	3,761,399
Cash on hand	3,284	3,870
Cash in transit	1,808	1,415
Total cash and cash equivalents	106,673	3,766,684

Cash at the bank earns interest at floating rates.

Reconciliation to the consolidated statement of cash flow:

CZK'000	31 December 2020	31 December 2019
Total cash and cash equivalents - net	106,673	3,766,684
Impairment to cash	162	1,490
Cash and cash equivalents in the statement of cash flows	106,835	3,768,174

## 21. Shareholder's equity

The issued capital is an amount registered in the commercial register. The total authorised number of ordinary shares of parent company Letiště Praha, a. s. is 25,122,271 with a par value of CZK 1,076 thousand per share.

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

## 21. Shareholder's equity (continued)

### Other reserves

CZK'000	31 December 2020	31 December 2019
Other capital contributions	12,634	24,531,971
Foreign currency derivatives - cash flow hedge	(242)	7,317
Deferred tax	46	(1,390)
Other	8,966	9,122
<b>Total</b>	<b>21,404</b>	<b>24,547,020</b>

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

CZK'000	Other capital contributions	Cash flow hedge	Financial assets at FVOCI *)	Other	Total other reserves
<b>As at 1 January 2019</b>	<b>24,531,971</b>	<b>(30)</b>	<b>927</b>	<b>8,176</b>	<b>24,541,044</b>
Revaluation – gross	-	7,809	19	-	7,828
Reclassification to profit or loss - gross	-	(455)	-	-	(455)
Deferred tax	-	(1,397)	-	-	(1,397)
<b>Other comprehensive income</b>	<b>-</b>	<b>5,957</b>	<b>19</b>	<b>-</b>	<b>5,976</b>
<b>As at 31 December 2019</b>	<b>24,531,971</b>	<b>5,927</b>	<b>946</b>	<b>8 176</b>	<b>24,547,020</b>
Revaluation – gross	-	(59)	(156)	-	(215)
Reclassification to profit or loss - gross	-	(7,500)	-	-	(7,500)
Deferred tax	-	1,436	-	-	1,436
<b>Other comprehensive loss</b>	<b>-</b>	<b>(6,123)</b>	<b>(156)</b>	<b>-</b>	<b>(6,279)</b>
Share capital increase	(24,519,337)	-	-	-	(24,519,337)
<b>As at 31 December 2020</b>	<b>12,634</b>	<b>(196)</b>	<b>790</b>	<b>8,176</b>	<b>21,404</b>

\*) Financial assets at fair value through other comprehensive income

In 2020, the Company increased its share capital by CZK 24,519,337 thousand from its own resources by transferring the amount from other capital funds.

For more information to cash flow hedge, see Note 30.

## 22. Interest-bearing loans and borrowings

As at 31 December 2020 and as at 31 December 2019, the Group had the following interest-bearing borrowings:

CZK'000	Maturity	31 December 2020	31 December 2019
Bank overdrafts in CZK		237,232	-
Issued Bonds, CZ0003501702	10 June 2020	-	256,327
<b>Total current interest-bearing borrowings</b>		<b>237,232</b>	<b>256 327</b>

## 22. Interest-bearing loans and borrowings (continued)

### Bank loans

In 2020, the Company drew a bank overdraft from Komerční banka, a.s. The overdraft interest rate is defined as PRIBOR plus margin. The overdraft is not secured.

The Company had a bank loan from Komerční banka, a.s. This bank loan had a fixed interest rate which was derived from the Company's rating. The loan was reimbursed in full as at 15 June 2019. Under the terms of the loan agreement, the Company was obliged to keep the ratio of bank loans over equity at the maximum amount of 0.6. The Company was also obliged to maintain its investment rating. Both conditions were fulfilled by the Company in 2019.

Future repayments of the bank overdraft as at 31 December 2020 are as follows:

CZK'000	Un-discounted	Discounted (fair value)
Cash flow from future payments	237,232	235,252

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

In 2020 and 2019, the interest and other charges related to the bank loans were CZK 110 thousand and CZK 466 thousand, respectively, of which CZK 110 thousand and CZK 374 thousand were capitalised as part of construction of tangible non-current assets.

### Bonds

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

On 30 March 2012, the Czech National Bank approved a ten-year Bond Programme in the total volume of up to CZK 10,000,000 thousand and for a period of ten years.

Issued bonds were reimbursed in full in 2020.

In 2020 and 2019, the interest and other costs related to the Bond Programme were CZK 5,923 thousand and CZK 13,319 thousand respectively, of which CZK 5,923 thousand and CZK 12,403 thousand were capitalized as part of construction of tangible non-current assets.

The fair value of the issued bonds as at 31 December 2019:

CZK'000	Book value	Fair value
Issued Bonds, CZ0003501702 (4.9%, 2020)	256,327	253,375



## 22. Interest-bearing loans and borrowings (continued)

### Net debt reconciliation

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

CZK'000	Assets		Liabilities		
	Cash	Borrowings	Bonds	Leases	Total
Net debt as at 1 January 2019	3,976,611	(714,273)	(255,258)	(1,716,957)	1,290,123
Interest expense	-	(466)	(13,319)	(14,425)	(28,210)
Interest paid	-	453	12,250	14,425	27,128
Index and increase of lease payments	-	-	-	(64,976)	(64,976)
Cash flows	(208,437)	714,286	-	54,411	560,260
Net debt as at 31 December 2019	3,768,174	-	(256,327)	(1,727,522)	1,784,325
Interest expense	-	(110)	(5,923)	(7,347)	(13,380)
Interest paid	-	110	20,790	7,347	28,247
Index and increase of lease payments	-	-	-	(50,442)	(50,442)
Lease contracts modification	-	-	-	118,779	118,779
Cash flows	(3,661,339)	(237,232)	241,460	1,396,928	(2,260,183)
Net debt as at 31 December 2020	106,835	(237,232)	-	(262,257)	(392,654)

## 23. Lease liabilities

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

The lease liabilities are measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate. The land is leased for indefinite period (it is land under the runway). The model uses for discounting 30 years as a minimum expected time of the airport existence.

Lease liabilities include the net present value of the following lease payments:

- fixed payments,
- variable lease payment that are based on an index, initially measured using the index as at the commencement date.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

CZK'000	2020	2019
Lease liabilities as at 1 January	1,727,522	1,716,957
Index and increase of lease payments	50,442	64,976
Lease contracts modification impact	(118,779)	-
Annual lease payments	(28,097)	(54,411)
Lease assets purchase	(1,368,831)	-
Lease liabilities as at 31 December	262,257	1,727,522

In 2020 the Group purchased part of the land rented by Správa Letiště Praha, s.p. In this context the part of the lease liabilities were paid in the amount of CZK 1,368,831 thousand.

## 23. Lease liabilities (continued)

Current portion of lease liability as at 31 December 2020 and as at December 2019 is in the amount of CZK 12,086 thousand and CZK 56,565 thousand. Non-current portion of lease liabilities as at 31 December 2020 and as at 31 December 2019 is in the amount of CZK 250,171 thousand and CZK 1,670,957 thousand.

For lease assets information, see Note 14.

## 24. Trade and other payables

As at 31 December 2019 and as at 31 December 2018, other non-current payables comprise the following:

CZK'000	31 December 2020	31 December 2019
Security deposit relating to the rent agreements **)	25,275	56,574
Security deposit received from airline companies **)	26,950	22,150
Retained payments from investments *)	204,888	196,764
Derivatives *)	-	517
<b>Total trade and other payables</b>	<b>257,113</b>	<b>276,005</b>

\*) Financial liabilities

\*\*) Non-financial liabilities

As at 31 December 2020 and as at 31 December 2019, current trade and other payables comprise the following:

CZK'000	31 December 2020	31 December 2019
Trade payables *)	1,017,655	1,155,939
Payables to employees **)	231,243	255,940
Social security payables and employees taxes **)	125,424	152,953
Payables to tax authority **)	567	249,630
Contract liabilities **)	25,738	96,951
Refund liabilities *)	36,246	243,506
Advances received **)	2,003	164
Deferred income - rent **)	12,577	3,205
Derivatives *)	704	336
Other **)	3,514	4,008
<b>Total trade and other payables</b>	<b>1,455,671</b>	<b>2,162,632</b>

\*) Financial liabilities

\*\*) Non-financial liabilities

Row Payables to tax authority as of 31 December 2019 also includes dividend withholding tax in the amount of CZK 248,659 thousand due in January 2020.

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

## 25. Provisions

As at 31 December 2020 and as at 31 December 2019, the Group recognised the following provisions:

CZK'000	Non-current provisions		
	Anti-noise measures	Legal and other risks	Total
As at 1 January 2020	98,000	13,327	111,327
Transfer	9,523	-	9,523
Arising during the year	-	169	169
<b>As at 31 December 2020</b>	<b>107,523</b>	<b>13,496</b>	<b>121,019</b>

**25. Provisions (continued)**

CZK'000	Current provisions				Total
	Anti-noise measures	Complaints and warranties	Liabilities with aircraft	Legal and other risks	
As at 1 January 2020	52,000	39,241	5,652	1,988	98,881
Transfer	(9,523)	-	-	-	(9,523)
Arising during the year	-	3,721	-	1,696	5,417
Reversed	-	(183)	(5,652)	(194)	(6,029)
Utilised	(3,988)	(35,895)	-	(76)	(39,959)
As at 31 December 2020	38,489	6,884	-	3,414	48,787

Non-current provisions			
CZK'000	Anti-noise measures	Legal and other risks	Total
As at 1 January 2019	-	21,283	21,283
Transfer	-	(291)	(291)
Arising during the year	98,000	200	98,200
Reversed	-	(7,727)	(7,727)
Utilised	-	(138)	(138)
As at 31 December 2019	98,000	13,327	111,327

CZK'000	Current provisions				Total
	Anti-noise measures	Complaints and warranties	Liabilities with aircraft	Legal and other risks	
As at 1 January 2019	-	-	16,659	-	16,659
Transfer	-	-	-	291	291
Arising during the year	52,000	39,241	65	1,697	93,003
Reversed	-	-	(5,653)	-	(5,653)
Utilised	-	-	(5,419)	-	(5,419)
As at 31 December 2019	52,000	39,241	5,652	1,988	98,881

The anti-noise measures provision is related to implementation of supplementary anti-noise measures the Group has been committed to perform as a part of the noise management policy. The provision was estimated based on a calculation that took into consideration the number of properties in the defined noise zone, probable interest of the owners of these properties on the implementation of relevant anti-noise measures determined based on a questionnaire survey, and the expected costs of the implementation of the anti-noise measures for individual types of properties.

**26. Employee benefits liability**

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

The balance of the employee benefits liability as at 31 December 2020 and as at 31 December 2019 is as follows:

CZK'000	31 December 2020	31 December 2019
Opening balance	27,191	25,977
Additions	5,959	5,174
(Utilised/reversed)	(9,782)	(3,960)
Total	23,368	27,191

## 27. Commitments and contingencies

### Environmental policy

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

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

### Legal claims

The total exposure resulting from pending legal claims, with the probability of losing the litigation higher than 50%, as at 31 December 2020 and as at 31 December 2019 was CZK 13,961 thousand and CZK 13,895 thousand, respectively. A provision was created for these legal disputes. It is part of the provision for legal and other risks.

### Contractual commitments - liabilities

As at 31 December 2020 and as at 31 December 2019, the Group had contracted investment commitments in the total amount of CZK 1,068,449 thousand and CZK 1,759,358 thousand, respectively.

The landing gear set with the contractual commitment in the amount of CZK 0 thousand and CZK 6,333 thousand is rented by the Group as at 31 December 2020 and as at 31 December 2019.

### Contractual commitments - receivables

As part of its business activities, the Group rents out commercial space and lands in the airport. The future minimum rent receivable under non-cancellable operating leases (without considering a breach of contractual terms) was as follows as at 31 December 2020 and as at 31 December 2019:

CZK'000	31 December 2020	31 December 2019
Within one year	397,338	920,027
After one year but not more than five years	1,190,074	1,905,944
More than five years	821,133	900,792
Total	2,408,545	3,726,763

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

In connection with Covid-19, the contractual terms of some leases were changed in 2020 and fixed rent was reduced for tenants. For this reason, there was a decrease in contractual commitments in 2020 compared to 2019.

The Group rented out also the aircraft Airbus 319. This activity was terminated in 2020. The future minimum rent receivable under operating leases (without considering a breach of contractual terms) was CZK 103,593 thousand as at 31 December 2019.

### Guarantees

As at 31 December 2020 there are bank guarantees issued in favour of the Group to secure the rent payment in the amount of CZK 304,437 thousand, to secure the construction work in the amount of CZK 276,376 thousand, to secure airport activities in the amount of CZK 14,338 thousand and the others in the amount of CZK 11,000 thousand. The bank guarantees issued in favour of third parties regarding operational activities of the Group are in the amount of CZK 4,519 thousand.

As at 31 December 2019 there are bank guarantees issued in favour of the Group to secure the rent payment in the amount of CZK 283,003 thousand, to secure the construction work in the amount of CZK 230,585 thousand, to secure airport activities in the amount of CZK 40,034 thousand and the others in the amount of CZK 2,486 thousand. The bank guarantees issued in favour of third parties regarding operational activities of the Group are in the amount of CZK 5,267 thousand.



## **28. Related-party disclosures**

Sales to entities that are either state-controlled companies or companies under common control of the state or government institutions higher than CZK 1,000 thousand per individual entity in 2020 and 2019 totalled CZK 95,182 thousand and CZK 109,627 thousand, respectively.

The highest amount of sales in 2020 was to: Czech Aviation Training Centre, s.r.o. (rent of premises, energy consumption – CZK 37,333 thousand), Řízení letového provozu, s.p. (rent of premises, energy consumption – CZK 19,866 thousand), Ministerstvo vnitra CR (rent of premises, energy consumption – CZK 12,995 thousand), Státní veterinární správa (veterinary station operation, energy consumption – CZK 5,204 thousand) and Generální ředitelství cel (sale of land, rent of premises, energy consumption – CZK 8,323 thousand).

The highest amount of sales in 2019 was to: Czech Aviation Training Centre, s.r.o. (rent of premises, energy consumption – CZK 38,121 thousand), Řízení letového provozu, s.p. (rent of premises, energy consumption – CZK 21,780 thousand), Ministerstvo vnitra CR (rent of premises, energy consumption – CZK 13,375 thousand), Státní veterinární správa (veterinary station operation, energy consumption – CZK 13,662 thousand, part of which revenue of previous years in the amount of CZK 8,805 thousand) and Generální ředitelství cel (sale of land, rent of premises, energy consumption – CZK 8,727 thousand).

Purchases from entities that are either state-controlled companies or companies under common control of the state or government institutions higher than CZK 1,000 thousand per individual entity in 2020 and 2019 totalled CZK 1,670,268 thousand and CZK 153,069 thousand.

The highest amount of purchases in 2020 was to: ČEPRO, a.s. (fuels – CZK 27,538 thousand), Správa Letiště Praha, s.p. (lease of land – CZK 30,919 thousand), Czech Aviation Training Centre, s.r.o. (training services – CZK 9,512 thousand) and Český hydrometeorologický ústav (weather forecast – CZK 8,453 thousand).

The highest amount of purchases in 2019 was to: ČEPRO, a.s. (fuels – CZK 68,648 thousand), Správa Letiště Praha, s.p. (lease of land – CZK 61,751 thousand), Czech Aviation Training Centre, s.r.o. (training services – CZK 7,903 thousand) and Český hydrometeorologický ústav (weather forecast – CZK 9,576 thousand).

In 2020, further the Group purchased the land from the Ministry of Finance of the Czech Republic in the amount of CZK 1,591,513 thousand (out of which CZK 1,368,831 thousand is recognised as the lease liability payment).

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

Further the Group rents the premises to the related party free of charge in 2020 and 2019 in the amount of CZK 7,839 thousand and CZK 7,801 thousand. The premises are used for the necessary activities for the airport operation.

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

For key management compensation, see Note 7.

## **29. Audit fee**

The total audit fee to the company PricewaterhouseCoopers Audit, s.r.o. for the audits of financial statements of the companies within the Group and related services in 2020 and 2019 respectively for the Group is in the amount of CZK 2,377 thousand and CZK 2,377 thousand, respectively.

### 30. Financial risk management objectives and policies

#### Risk analysis

##### Liquidity risk

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

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

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

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

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

As at 31 December 2020 CZK'000	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Bank overdraft				
principal	237,232	-	-	237,232
Trade and other payables	1,054,605	175,255	29,633	1,259,493
Lease liabilities	12,086	35,667	214,504	262,257

As at 31 December 2019 CZK'000	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Bonds				
principal	250,000	-	-	250,000
interest	12,250	-	-	12,250
Trade and other payables	1,399,781	162,604	34,677	1,597,062
Lease liabilities	56,565	225,181	1,445,776	1,727,522

### 30. Financial risk management objectives and policies (continued)

#### Credit quality of cash and cash equivalents

The Group invests its temporarily excessive liquidity solely with top credit rated banks. Based on the evaluation of the risk of the individual rating categories according to S&P Global estimate of 2020 and data of 2019 and 2018 the impairment to cash at bank was set as at 31 December 2020 and as at 31 December 2019. The average of 2019 and 2020 (to reflect the Covid-19 impact) and the average of last ten years was used for calculation as at 31 December 2020 and 31 December 2019.

As at 31 December 2020 CZK'000	Rating Moody's	Rating S&P	Risk in %	Amount	Impairment
Bank A	Aa3	A+	0.15	96,988	147
Bank B	A1	A	0.15	454	1
Bank C	Baa1	BBB	0.32	4,296	14
Bank D	A1	A+	0.15	5	-
Celkem				101,743	162

As at 31 December 2019 CZK'000	Rating Moody's	Rating S&P	Risk in %	Amount	Impairment
Bank A	Aa3	A+	0.02	131,722	29
Bank B	A1	A	0.02	1,242,527	274
Bank C	Baa1	BBB	0.07	1,438,667	978
Bank D	A1	A+	0.02	949,973	209
Celkem				3,762,889	1,490

#### Credit quality of trade and other receivables

The credit risk arises from the possibility that the customers may not be able to settle obligations to the Group within the normal terms of trade. To manage this risk, the Group periodically assesses the financial viability of its customers. Credit risk is controlled by the application of credit approvals, limits and monitoring procedures. Payment terms (security deposits, advance payments, payments in cash on spot, or by invoice) are determined based on the assessed credit quality of the customer. Naturally, the business partners with the highest share of the Company's revenues represent the main concentration of the credit risk. The most important customer is Smartwings group, the share on the trade receivables (incl. unbilled revenues) of this group is 22% and 23% as at 31 December 2020 and as at 31 December 2019.

#### Management of the receivables from the lease agreements

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

#### Management of receivables from the airport operations

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

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

### 30. Financial risk management objectives and policies (continued)

#### Management of other trade receivables

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

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

#### Loss allowances to trade receivables, unbilled revenues and contract assets

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

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

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

On that basis, the provision for expected credit losses as at 31 December 2020 and as at 31 December 2019 was determined as follows for trade receivables, unbilled revenues and contract assets:

As at 31 December 2020 CZK'000	Expected loss rate	Trade receivables	Unbilled revenues	Contract assets	Expected credit losses
Overdue more than 12 months	100 %	93,666	-	-	(93,666)
Overdue up to 12 months	76.4 %	312,041	-	3,106	(240,666)
Not yet due	6.5 %	306,965	74,113	29,716	(26,809)
Total		712,672	74,113	32,822	(361,141)

As at 31 December 2019 CZK'000	Expected loss rate	Trade receivables	Unbilled revenues	Contract assets	Expected credit losses
Overdue more than 12 months	100 %	52,556	-	-	(52,556)
Overdue up to 12 months	20.8 %	195,617	-	-	(40,595)
Not yet due	0.8 %	1,067,671	184,254	36,039	(10,751)
Total		1,315,844	184,254	36,039	(103,902)



### 30. Financial risk management objectives and policies (continued)

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

CZK'000	2020	2019
As at 1 January	103,902	150,969
Increase of provision for expected credit losses – continuing operations	206,143	27,379
Increase of provision for expected credit losses – discontinued operations	52,474	-
Receivables written off during the year as uncollectible	(1,378)	(74,446)
As at 31 December	361 141	103,902

The creation and release of the provision for expected credit losses of receivables have been included in the Net expected credit losses on financial and contract assets line in the profit or loss.

The increase of the provision for expected credit losses in 2020 is mainly influenced by the Covid-19 impact on the aviation and travel industry.

The structure of trade receivables, unbilled revenues and contract assets secured by bank guarantees, deposits or by the contract providing fixed assets as security of the debtor's obligation is as follows:

As at 31 December 2020 CZK'000	Not due yet	Overdue	Total
Trade accounts receivable	306,965	406,707	712,672
Unbilled revenue	74,113	-	74,113
Contract assets	29,716	3,106	32,822
Of which covered by the collateral *)	74,268	100,315	174,583

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

As at 31 December 2019 CZK'000	Not due yet	Overdue	Total
Trade accounts receivable	1,067,671	248,173	1,315,844
Unbilled revenue	184,254	-	184,254
Contract assets	36,039	-	36,039
Of which covered by the collateral *)	71,886	12,926	84,812

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

#### Market risk

##### Foreign exchange risk – airport operations

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

The Group considers foreign exchange risk from airport operations to be insignificant. The transactional currency risk is calculated in each foreign currency and includes currency-denominated assets and liabilities. As at 31 December 2020 and as at 31 December 2019, the Group did not have any exchange rate hedges in place to mitigate the foreign currency exposure from airport operations.

##### Foreign exchange risk – aircraft maintenance and overhauls and handling services

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

Therefore, the Group concluded FX hedging transactions (FX forward) with aim to ensure its income in foreign currencies against the foreign currency risk. The Group also concluded short-term currency swaps in 2020 and 2019 that were classified as trading instruments.

### 30. Financial risk management objectives and policies (continued)

As at 31 December 2020 and as at 31 December 2019, the Group has concluded hedging derivatives to secure part of its EUR and USD exposure:

#### Foreign currency forwards – cash flow hedges

CZK'000	2020	2019
Non-current assets – derivatives	-	486
Current assets – derivatives	688	8,769
Non-current liabilities – derivatives	-	517
Current liabilities - derivatives	704	336

#### CZK'000

Maturity	Fair value as at 31 December 2020		Nominal value as at 31 December 2020	Fair value as at 31 December 2019		Nominal value as at 31 December 2019
	Asset	Liability		Asset	Liability	
Within one month	-	(16)	16,789	1,034	-	34,700
From one to three months	-	(59)	33,578	1,905	-	69,400
From three months to one year	688	(629)	164,331	5,830	(336)	340,882
Above one year	-	-	-	486	(517)	214,698
Total	688	(704)	214,698	9,255	(853)	659,680

The foreign currency forwards are denominated in the same currency as the highly probable future sales and the total forward volume is based on the specific foreign currency exposure. The maximum hedge ratio is set at 80%.

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

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

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

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

There was no ineffectiveness during 2020 and 2019 in relation to the foreign currency forwards.

As at 31 December 2020 and as at 31 December 2019, the Group has concluded currency swaps in EUR and USD:

#### Currency swaps

#### CZK'000

Maturity	Fair value as at 31 December 2020		Nominal value as at 31 December 2020	Fair value as at 31 December 2019		Nominal value as at 31 December 2019
	Asset	Liability		Asset	Liability	
Within one month	115	-	25,882	-	-	-

### 30. Financial risk management objectives and policies (continued)

#### Foreign exchange risk – currency exposure

The following tables show foreign currency exposures per main currencies (with the balance higher than CZK 10 million in some of the category or in total) as at 31 December 2020 and as at 31 December 2019:

As at 31 December 2020 CZK'000	Trade and other receivables	Trade and other payables	Cash and cash equivalents	Total
EUR	267,146	(14,506)	47,336	299,976
USD	70,964	(63,316)	26,818	34,466
Total	338,110	(77,822)	74,154	334,442

As at 31 December 2019 CZK'000	Trade and other receivables	Trade and other payables	Cash and cash equivalents	Total
EUR	495,593	(138,773)	176,411	533,231
USD	100,744	(137,203)	60,965	24,506
CHF	-	(12,402)	63	(12,339)
Total	596,337	(288,378)	237,439	545,398

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

As at 31 December 2020 CZK'000		Trade and other receivables	Trade and other payables	Cash and cash equivalents	Total
EUR	Appreciation of CZK by 10%	(26,715)	1,451	(4,734)	(29,998)
	Depreciation of CZK by 10%	26,715	(1,451)	4,734	29,998
USD	Appreciation of CZK by 10%	(7,096)	6,332	(2,682)	(3,446)
	Depreciation of CZK by 10%	7,096	(6,332)	2,682	3,446

As at 31 December 2019 CZK'000		Trade and other receivables	Trade and other payables	Cash and cash equivalents	Total
EUR	Appreciation of CZK by 10%	(49,559)	13,877	(17,641)	(53,323)
	Depreciation of CZK by 10%	49,559	(13,877)	17,641	53,323
USD	Appreciation of CZK by 10%	(10,074)	13,720	(6,097)	(2,451)
	Depreciation of CZK by 10%	10,074	(13,720)	6,097	2,451
CHF	Appreciation of CZK by 10%	-	1,240	(6)	1,234
	Depreciation of CZK by 10%	-	(1,240)	6	(1,234)

#### Interest rate risk

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

### 30. Financial risk management objectives and policies (continued)

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

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

In case of the bank loan, which is fully paid, the interest risk was eliminated by using a fixed rate tied to the rating of the Company.

The bank overdraft is based on a variable rate. The Group expects to refinance the current overdraft debt with a long-term loan with a fixed interest rate by the end of 2021.

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

#### Analysis of sensitivity to change in interest rates on bank overdraft

Balance of the bank overdraft as at 31 December 2020 CZK'000	Justified fluctuation of interest rates in % p.a.	Annual impact of the change of the variable +/-
Variable 237,232	1.00%	2,372

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

Balance of the outstanding deposits as at 31 December 2020 CZK'000	Justified fluctuation of interest rates in % p.a.	Annual impact of the change of the variable +/-
Variable 101,581	1.00%	1,016

Balance of the outstanding deposits as at 31 December 2019 CZK'000	Justified fluctuation of interest rates in % p.a.	Annual impact of the change of the variable +/-
Variable 3,761,399	1.00%	37,614

Annual impact of the change is stated before income tax.

#### **Reconciliation of classes of financial instruments with measurement categories**

The following tables provide a reconciliation of classes of financial assets and liabilities with the measurement categories as at 31 December 2020 and as at 31 December 2019:

31 December 2019 CZK'000	Assets	Loans and receivables	Assets at fair value through profit or loss	Derivatives used for hedging	Total	Fair value
	<b>Cash and cash equivalents:</b>					
	Cash at bank	101,581	-	-	101,581	101,581
	Cash on hands	3,284	-	-	3,284	3,284
	Cash in transit	1,808	-	-	1,808	1,808
	<b>Receivables:</b>					
	Trade accounts receivable	370,380	-	-	370,380	370,380
	Unbilled revenue	59,196	-	-	59,196	59,196
	Derivatives – short term	-	115	688	803	803
	<b>Total financial assets</b>	<b>536,249</b>	<b>115</b>	<b>688</b>	<b>537,052</b>	<b>537,052</b>



### 30. Financial risk management objectives and policies (continued)

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

31 December 2019 CZK'000					
Assets	Loans and receivables	Assets at fair value through profit or loss	Derivatives used for hedging	Total	Fair value
<b>Cash and cash equivalents:</b>					
Cash at bank	3,761,399	-	-	3,761,399	3,761,399
Cash on hands	3,870	-	-	3,870	3,870
Cash in transit	1,415	-	-	1,415	1,415
<b>Receivables:</b>					
Trade accounts receivable	1,222,359	-	-	1,222,359	1,222,359
Unbilled revenue	173,837	-	-	173,837	173,837
Derivatives – short term	-	-	8,769	8,769	8,769
Derivatives – long term	-	-	486	486	486
Total financial assets	5,162,880	-	9,255	5,172,135	5,172,135

For fair value assessment the Level 3 is used.

31 December 2020 CZK'000					
Liabilities	Liabilities at amortised cost	Liabilities at fair value through profit or loss	Derivatives used for hedging	Total	Fair value
<b>Loans and borrowings:</b>					
Bank loan	237,232	-	-	237,232	235,252
<b>Lease liabilities:</b>					
Long term	250,171	-	-	250,171	259,383
Short term	12,086	-	-	12,086	12,755
<b>Payables:</b>					
Trade and other payables – short term	1,053,901	-	-	1,053,901	1,053,901
Trade and other payables – long term	204,888	-	-	204,888	204,888
Derivatives – short term	-	-	704	704	704
Total financial liabilities	1,758,278	-	704	1,758,982	1,766,883

31 December 2019 CZK'000					
Liabilities	Liabilities at amortised cost	Liabilities at fair value through profit or loss	Derivatives used for hedging	Total	Fair value
<b>Loans and borrowings:</b>					
Bonds	256,327	-	-	256,327	253,375
<b>Lease liabilities:</b>					
Long term	1,670,957	-	-	1,670,957	1,391,396
Short term	56,565	-	-	56,565	38,687
<b>Payables:</b>					
Trade and other payables – short term	1,399,445	-	-	1,399,445	1,399,445
Trade and other payables – long term	196,764	-	-	196,764	196,764
Derivatives – short term	-	-	336	336	336
Derivatives – long term	-	-	517	517	517
Total financial liabilities	3,580,058	-	853	3,580,911	3,280,520

### 30. Financial risk management objectives and policies (continued)

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

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

For expressing the fair value of bonds, the average of ask and bid prices indicated by the market as at 31 December 2019 was used.

The fair value of the lease liabilities is calculated as the present value of the remaining lease payments, discounted using the incremental borrowing rate as at 31 December 2020 and as at 31 December 2019.

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

There were no transfer between levels of fair value assessment in 2020 and 2019.

#### Capital management

The Group's main objective when managing capital structure is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal debt to equity ratio and to retain the high credit rating.

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

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

CZK'000	As at 31 December 2020	As at 31 December 2019
Financial debt	499,489	1,983,849
Equity	33,934,261	36,235,194
The leverage ratio	1.47%	5.47%

In April 2020, the International rating agency Moody's Investors Service confirmed the credit rating of the Company to Aa3, stable.

In previous periods, the Group's capital management, amongst other things, aimed to ensure that it meets the financial covenant attached to the interest-bearing loan that defines capital structure requirements. The loan was reimbursed in full in June 2019 and there had been no breaches in the financial covenant of the interest-bearing loan during its drawdown period.

### 31. Events after the balance sheet date

With regard to the further extension of the state of emergency in the Czech Republic and the announcement of tightening the measures related to another wave of the Covid-19 pandemic, further negative impacts on the air transport sector can be expected. Therefore, the management of the Group carefully monitors the current development of the air transport and the forecasts of relevant international organizations and associations. If necessary, the Group's management is ready to take further measures. But given the current situation and ongoing effects it is clear that this situation will have a negative impact on profit in 2021. In 2021 the Group expects decrease in number of passengers to 3 million compared to 5 million passengers in the plan. The decrease in passengers will have an impact of the increase in the Group's operating loss before depreciation and amortization by estimated CZK 677,951 thousand (from CZK (52,169) thousand planned to CZK (730,120) thousand expected) in 2021.

### **31. Events after the balance sheet date (continued)**

The management of the Group does not see any significant uncertainty that could cast significant doubt on the Group's ability to operate under the going concern basis.

As at 31 December 2020, the current liabilities exceed the current assets. However, it does not represent any endangerment of the financial position or the going concern of the Group, as the Group has access to further external financing that exceeds the balance of current payables.

The Group plans to refinance the bank overdraft to the long-term bank loan in 2021.

Effective 1 January 2021, a new Incentive Scheme Traffic Recovery After the Covid-19 Crisis is applied for existing carriers in order to support the fastest possible return to pre-crisis volumes of scheduled and non-scheduled passenger traffic to/from Václav Havel Airport Prague.

The Group closely monitors the further development and operation of Smartwings, a.s., which had been placed in a pre-insolvency moratorium until 26 March 2021, and of Czech Airlines in the context of declared insolvency in March 2021. Both companies continue operating their flights according to the flight schedule. According to a press release issued by Smartwings, a.s., financing of the company has been secured and Smartwings, a.s. can thus continue its restructuring process.

No other events have occurred subsequent to year-end that would have a material impact on the consolidated financial statements for the year 2020.

These consolidated financial statements of Letiště Praha, a. s. for the year ended 31 December 2020 were authorised for issue:

31 May 2021



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



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Ing. Jiří Černík  
Member of the Board of Directors



## Independent auditor's report

to the shareholder of Letiště Praha, a. s.

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### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Letiště Praha, a. s., with its registered office at K letišti 1019/6, Praha 6 - Ruzyně (the "Company") and its subsidiaries (together the "Group") as at 31 December 2020, of the Group's consolidated financial performance and consolidated cash flows for the year ended 31 December 2020 in accordance with International Financial Reporting Standards as adopted by the European Union.

### What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2020,
- the consolidated statement of profit or loss for the year ended 31 December 2020,
- the consolidated statement of comprehensive income for the year ended 31 December 2020,
- the consolidated statement of changes in equity for the year ended 31 December 2020,
- the consolidated statement of cash flows for the year ended 31 December 2020, and
- the notes to the consolidated financial statements including significant accounting policies and other explanatory information.

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### 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 (together the "Audit regulations"). These standards consist of International Standards on Auditing as supplemented and modified by related application guidance. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted by the Chamber of Auditors of the Czech Republic and with the Act on Auditors. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and Act on Auditors.

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### Other information

The board of directors is responsible for the other information. As defined in Section 2(b) of the Act on Auditors, the other information comprises the consolidated annual report but does not include the consolidated financial statements and auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge about the Group obtained in the audit or otherwise appears to be materially misstated. In addition, we assessed whether the other information has been prepared, in all material respects, in accordance with applicable legal requirements, i.e. whether the other information complies with the legal requirements both in terms of formal requisites and the procedure for preparing the other information in the context of materiality.

Based on the procedures performed in the course of our audit, to the extent we are able to assess it, in our opinion:

- the other information describing the facts that are also presented in the consolidated financial statements is, in all material respects, consistent with the consolidated financial statements; and
- the other information has been prepared in accordance with the applicable legal requirements.

In addition, in the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the other information. We have nothing to report in this regard.

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### Responsibilities of the board of directors, supervisory board and audit committee of the Company for the consolidated financial statements

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

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

The supervisory board of the Company is responsible for overseeing the financial reporting process. The audit committee of the Company is responsible for monitoring of the consolidated financial statements preparation process.

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### Auditor's responsibilities for the audit of the consolidated financial statements

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

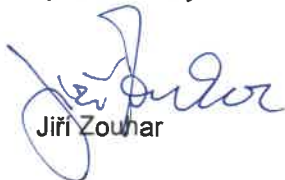
As part of an audit in accordance with the Audit regulations, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

We communicate with the board of directors, supervisory board and audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

31 May 2021

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.