



LETIŠTĚ PRAHA, A. S.

2021

ANNUAL REPORT



Foreword by the Chairman of the Board of Directors

Ladies and Gentlemen,

Letiště Praha, a. s., has experienced another very demanding year due to the continued Covid-19 pandemic. According to ACI Europe, of all European countries, air transport in the Czech Republic, alongside Finland, the United Kingdom, and Ireland, was negatively affected the most.

The first quarter was most critical in terms of the number of passengers handled, but the interest in travel, predominantly among Czech Republic citizens, increased in the summer months. Thanks to that, we handled nearly 4.4 million passengers in 2021. We can also be a bit optimistic with regard to operating profit, as we achieved a slightly positive result and thus slowed down further deepening our company's debt. We also managed to maintain the high rating given by the Moody's agency.

The partial recovery in air traffic and the relaxation of some travel restrictions compared to the previous year resulted in a year-on-year increase in the number of handled passengers of almost twenty percent, and in the number of aircraft movements of thirteen percent. The year 2021 was also marked by the resumption of air connections and an increase in the number of frequencies to already served destinations. We have welcomed five brand new carriers and added connections to six new destinations, including remote exotic places. The German carrier Eurowings launched operations of its base in Prague in November 2021. We hope the carrier will provide the opportunity to increase the number of transfer passengers in Prague. A total of 52 carriers operated their flights from Prague to 138 destinations on regular and ad-hoc routes in 2021.

Intensive negotiations with airlines took place in the second half of 2021 on planned 2022 capacities. At the World Routes Development Forum in Milan, Italy, we were able to agree, among other things, on the resumption of long-haul flights to the United States with United Airlines and Delta Air Lines from the 2022 summer season.

Our priority remained the assurance of safe and reliable airport operations, with great emphasis on protecting the health of both airport staff and passengers. I believe that is the reason we were reassigned the international ACI Airport Health Accreditation certificate, confirming we are a safe air hub.

We took advantage of the limited traffic to implement upgrades and pursue with the repairs of the airport infrastructure suspended in 2020. We also intensified the communication with our neighbours and outlined the next stage under the Ventilation Programme for municipalities in the airport vicinity, which will be launched in the spring of 2022. We have also liaised with the general public and, with increased security measures, resumed our popular airport tours, allowing their participants to experience the airport buzz behind the scenes.

Last but not least, we focused on the area of sustainable development, crucial for our future. This step is closely related to the strengthening of the financial stability of Letiště Praha, a. s., by having concluded a credit framework totalling CZK seven billion with a consortium of banks. The loan will also finance the planned sustainable development. The airport wants to follow the principles of sustainable business upon project implementations, which is in line with the approaches promoted by the involved banks. We also joined the International Association of Airports' (ACI) Net Zero initiative. ACI associates more than 200 airports committed to achieve Net Carbon Neutrality.

The year 2021 was a little happier, but still not easy for Letiště Praha, a. s. Thanks are owed primarily to airport employees for their help overcoming the year and for their trust. I believe that together we will be able to enjoy further increase in passenger numbers and a gradual return to the pre-Covid traffic volumes. We wish to remain a reliable and trustworthy partner for our customers.



Jiří Pos
Chairman of the Board of Directors
Letiště Praha, a. s.

1. Company Profile

Mission of the Company

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

Prague Airport organises and manages operations at Václav Havel Airport Prague, international civil aviation airport, efficiently planning and allocating airport infrastructure and resources within the scope of available capacity to individual air carriers, providing services connected with airport operations, such as handling of passengers and their baggage, and leasing airport space for commercial use. The Company also provides additional services connected with airport operations, such as parking and catering, constantly expanding, developing, and modernising its services.

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

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

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

Legal Status of the Company

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

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

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

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

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

The Company did not acquire its own shares.

2. Company Management and Governance

General Data

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

Shareholder

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

Administrative Bodies

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

The Board of Directors is the Statutory Body of the Company. It manages the Company's affairs and acts on behalf of the Company. Based on the Articles of Association, the Board of Directors has four members.

The Supervisory Board is the controlling body of the Company. It supervises the scope of performance of the Board of Directors and the Company's business activities. In accordance with the Articles of Association, the Supervisory Board consists of six members.

The Audit Committee is an independent body of the Company established pursuant to the Act on Auditors and the Articles of Association of the Company. The Audit Committee has three members.

Contact

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Internet: www.prg.aero

Board of Directors of the Company

As at 31 December 2021, the Company was managed by the Board of Directors, which had three members. One position was vacant.

Chairman of the Board of Directors

Jiří Pos

Vice-Chairman of the Board of Directors

Jiří Kraus

Member of the Board of Directors

Jakub Puchalský

Changes to the Board of Directors in 2021

Václav Řehoř – membership and role of the Chairman terminated on 28 June 2021

Jiří Pos – membership and role of the Chairman commenced on 30 August 2021

Jiří Černík – membership terminated on 30 September 2021

Supervisory Board of the Company

As at 31 December 2021, 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

Milan Suchý

Member of the Supervisory Board

Petr Šobotník

Changes to the Supervisory Board in 2021

Petr Šobotník – membership terminated on 7 March 2021 a membership commenced on 8 March 2021

Kamil Pomahač – membership terminated on 8 June 2021

Milan Suchý – membership commenced on 9 June 2021

Audit Committee

Chairman of the Audit Committee

Petr Šobotník

Vice-Chairperson of the Audit Committee

Andrea Lukasíková

Member of the Audit Committee

Ivo Středa

There were no changes to the Audit Committee in 2021.

3. Human Resources

As at 31 December 2021, Prague Airport employed a total of 2,272 employees.

In terms of the average number of employees in full-time equivalent units, the Company had 2,260 employees in 2021.

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

4. Selected 2021 Events and 2022 Outlook

2021 Main Events

Václav Havel Airport Prague was again affected by the ongoing Covid-19 pandemic in 2021. In terms of operational performance, in the first half of the year, it fell behind the planned volumes. However, in the second half, we recorded a gradual improvement. The number of passengers increased year-on-year from 3.7 million in 2020 to 4.4 million in 2021. Despite that, Prague Airport remains one of the most affected airports in Europe.

Given the high level of uncertainty that prevailed during the year regarding future development trends, Prague Airport continued the course of austerity measures within the sectors of operational and labour costs. Due to the significant impact on its finances, the Company used support programmes provided by the Ministry of Industry and Trade.

Prague Airport also continued to pursue its sustainability activities. It is actively working to reduce CO₂ emissions. Compared to 2009, in 2021, we achieved a reduction in CO₂ emissions of 72%, and saved a recalculated 41,000 tons of CO₂. At the same time, the Company, together with other airports, airlines, and aircraft manufacturers, is committed to reducing the environmental impact of aviation under the Pan-European Destination 2050 initiative and has announced its commitment to reaching net carbon neutrality on all flights within and outside Europe by 2050. Prague Airport wants to be carbon neutral by 2030, with the help of new technologies, more economical engines, sustainable fuels, and hydrogen or electric propulsion of aircraft. Therefore, Prague Airport has joined the Net Zero initiative, organised by the ACI, an international airports association, which brings together more than 200 airports, committed to achieving clean carbon neutrality.

Terminal building capacities will also be expanded sustainably. The intention is to minimise the overall impact of constructions on the environment, for example, by using recycled materials, alongside retaining and re-using rainwater. Another goal is to ensure a quality indoor and outdoor environment for users, to limit the use of non-renewable natural energy sources for the construction and consecutive operation of buildings. In terms of the energy concept of the new buildings, the plan is to promote maximum energy self-sufficiency. In 2022, we plan to pilot-run the use of photovoltaics on the roof of the reconstructed Terminal 3 building.

In 2021, Moody's reaffirmed Prague Airport's Aa3 rating, which is the highest possible rating available in the Czech Republic, thus confirming that Prague Airport is a healthy and strong company.

Investments previously contracted or necessary to ensure safe operations of the airport continued to be made during the year. These mainly comprised the expansion of the Wastewater Treatment Plant SOUTH, and the reconstruction of taxiways and aircraft stands in the handling area SOUTH. The scheduled Terminal 3 reconstruction was also commenced.

Another important development project of Prague Airport is the parallel runway construction, which was in the preparatory phase during 2021, primarily in terms of obtaining an extension of the Environmental Impact Assessment validity. After the construction and the launch of operations of the parallel runway, Prague Airport will close the existing side runway 12/30, which affects the lives of hundreds of thousands of people in Prague and Kladno with noise from air traffic. At the same time, airport operations will be disrupted at night (i.e., from 12:00 a.m. to 05:29 a.m.). In addition, the launch of operations of the parallel runway will significantly contribute to increased operational safety.

In 2021, the intensive efforts of Prague Airport management to expand the number of flights, either by resuming operations on routes temporarily disrupted due to the Covid-19 pandemic, or by negotiating new routes, continued. At the same time, we worked hard to finalise the process of re-negotiating lease agreements with business partners, started due to the effects of the pandemic on the course of their business at the airport.

Last but not least, the management of Prague Airport intensified negotiations with representatives of the surrounding municipalities and city districts of Prague affected by the operations of Václav Havel

Airport Prague, with the goal of promoting long-term and balanced partnerships with benefits for all parties involved.

January

- In 2020, Václav Havel Airport Prague handles nearly 3.7 million passengers, which represents a year-on-year decrease of almost 79%. In the worst affected period of 2020 (April – December), the number of passengers drops by 93% year-on-year, and Prague Airport becomes one of the most affected airports in Europe.
- Prague City Council Members approve a change to the Zoning Plan, which recognises the parallel runway construction as an important part of the airport's long-term development plans.
- Close co-operation between our airport and Správa železnic (*Czech Railway Administration*) on the modernisation of the Prague – Kladno line continues. Contracts are concluded, based on which the project will be co-ordinated in terms of technical and time aspects.

February

- Prague Airport receives the *Voice of the Customer* award, a new recognition by the Airports Council International (ACI) association. With this award, ACI acknowledges primarily those airports which, despite the challenging and non-standard year of 2020 (due to the spread of the new type of Coronavirus), paid above-standard attention to the comfort and safety of their passengers.
- In 2021, the second phase of the TWY R, and aircraft handling stands in area SOUTH continues, comprising the extension of the TWY R and its connection to the handling area SOUTH, which was completed during summer months, and the construction of new aircraft handling stands in front of hangars C and N. Alongside the completion of the Wastewater Treatment Plant SOUTH construction, and the finalisation of the baggage sorting facility reconstruction, the above represent the most significant 2021 investment projects.
- The sole shareholder within the scope of the General Meeting approves the Company's 2021 Business and Financial Plan, including the 2021 and 2022 Investment Plans, drafted with an utmost emphasis on cost reductions due to the uncertain air transport segment development trends.
- flydubai confirms the carrier is to increase the number of flights on its regular Prague – Dubai route.
- During the entire month, Prague Airport closely monitors the development tendencies regarding the Czech Airlines impending insolvency, primarily to ensure securing the receivables of its subsidiaries, Czech Airlines Technics, a.s. and B.aircraft, a.s.

March

- Mr. Petr Šobotník is re-elected to perform the role of the Company's Supervisory Board Member.
- The Ministry of Finance of the Czech Republic approves a change to the Prague Airport Articles of Association, primarily incorporating an amendment to the Commercial Corporations Act.
- Effective March 2021, Prague Airport provides the assistance services for PRM passengers, and oversize baggage handling, i.e., the services previously outsourced, on its own.

April

- Representatives of Prague Airport, CzechTourism, and Prague City Tourism sign an agreement on a long-term joint approach to the resumption and development of inbound tourism to Prague and the Czech Republic.
- During the course of the month, the Company management drafts and approves the basic parameters and conditions of a tender seeking long-term financing to ensure economic stability in the difficult period affected by the global Covid-19 pandemic.

May

- To help facilitate air traffic resumption, the marketing team designs a new advertising campaign, Experiences Await, targeted at Czech travellers, who, according to surveys, are eager to resume their travel. A new www.zazitkyuzcekaji.cz website is launched to support flying. Alongside travel tips and services, all important information on available routes, flight safety, airport implemented measures, and conditions of departure and return to/from specific countries are published there.
- Employee elections take place on 27 and 28 May, and on 1 and 2 June 2021, with Mr. Milan Suchý elected a Supervisory Board Member representing the Company employees.
- Under the outbound tourism support project, a workshop is held for representatives of travel agencies and tour operators to share Prague Airport news (flight schedule, Prague Airport product range, and safety measures for the 2021 summer operations).

June

- Effective 17 June 2021, EgyptAir launches a new direct Prague – Hurghada route, serviced up to twice weekly, on Thursdays and Sundays. The carrier operates the route to this popular holiday retreat using modern Airbus A220-300 aircraft, which are quieter, more comfortable, and at the same time more environmentally friendly.
- On 26 June 2021, Croatia Airlines operates the first flight on the carrier's new seasonal Prague – Split route. The inaugural flight from Split, Croatia, is serviced with a Bombardier Dash aircraft. The carrier offers its new direct air connection between the two cities every Saturday until mid-September 2021, also using Airbus A319 to operate the route.
- Eurowings announces and consecutively confirms its plan to establish the carrier's base in Prague, housing two Airbus A319 aircraft, effective the start of the 2021 winter schedule.
- Within the scope of the sole shareholder of B. aircraft, a.s., it was decided to reduce the share capital of the Company's subsidiary by approximately CZK 1.25 billion, and thus cover the loss of B. aircraft, a.s., and to secure available funds for Prague Airport.
- The Ministry of Finance of the Czech Republic, as the sole shareholder within the scope of the General Meeting of the Company, removes Mr. Václav Řehoř from the Board of Directors of the Company with effect from 28 June 2021.

July

- During the summer, a significant increase in the number of new connections is recorded. During July 2021, there are flights to 108 destinations, with a total of 40 carriers operating scheduled and ad-hoc air transport.
- Effective July 2021, the general public may use a new FastTrack Lounge located in the Terminal 2 public area.
- In the tender to fill the vacated post on the Prague Airport Board of Directors, Ing. Jiří Pos is selected as the most suitable candidate by the Personnel Committee of the Ministry of Finance of the Czech Republic.

August

- The Government Committee for Personnel Nominations at the Office of the Government of the Czech Republic recommends that the Ministry of Finance of the Czech Republic elects Ing. Jiří Pos to the Prague Airport Board of Directors. Following this recommendation, the sole shareholder within the scope of the General Meeting of Prague Airport elects Ing. Jiří Pos a Member of the Prague Airport Board of Directors with effect from 30 August 2021. On the same day, Mr. Pos is elected Chairman of the Board of Directors of Prague Airport by the remaining Board members.
- The positive trend of increasing interest in air transport continues in August. There are connections to 111 destinations with a total of 45 carriers operating scheduled and ad-hoc air transport services. August becomes the strongest month in terms of the number of passengers handled in 2021, with almost 700,000 passengers passing through the gates of the airport.
- Terminal 3 reconstruction work commences, expected to be completed by mid-2022.

- As a result of intensive negotiations, a consensus is reached on all essential parameters adjusting the business relationship with our key partner, Lagardère Travel Retail, the operator of a number of restaurants and shops at Václav Havel Airport Prague. The consensus paves the way for the preparation of relevant amendments to the existing agreement. Their conclusion is to finalise the demanding process of re-negotiating business conditions with lessees at Václav Havel Airport Prague in connection with the effects of the global Covid-19 pandemic.

September

- In line with the new protective measure implemented by the Ministry of Health of the Czech Republic, Prague Airport, the Foreign Police of the Czech Republic, and the Customs Administration of the Czech Republic strengthen the control of the currently valid conditions for entry into the Czech Republic. Jointly, they respond to the gradually increasing traffic at our airport, and the inbound tourism opportunities for multiple countries.
- At the beginning of September, a new Wizz Air connection to Naples, Italy, is welcomed at the airport. Passengers can fly to the popular destination in the south of Italy twice a week. We also have a new Blue Air route to Milan, and a new direct route by the Ukrainian carrier SkyUp Airlines, which is to connect Prague and Kyiv three times a week.
- On 15 September 2021, another year of the Wings of Help Grant Programme, designed to help people with disabilities, is announced.

October

- Based on tender results, the Company concludes a long-term credit framework totalling CZK 7 billion with a consortium of banks. This loan ensures the financial stability of Prague Airport, which is currently affected by a high degree of uncertainty resulting from the unpredictable effects of the global Covid-19 pandemic on the aviation sector.
- Application is submitted to the Ministry of the Environment of the Czech Republic to approve the extension of validity of the parallel runway Environmental Impact Assessment.
- Delta Air Lines and United Airlines confirm their intention to resume operations on their New York routes (JFK and Newark airports) from May, respectively June 2022 (seasonal operations with a daily frequency).
- On 9 – 12 October 2021, Prague Airport representatives attend the World Routes Conference in Milan. Over 30 meetings are held with airlines and other business partners at the Forum, with the main goal to help facilitate the resumption of operations in the post-crisis period.
- Vueling announces the launch of the carrier's Amsterdam – Prague route with a four-weekly frequency, effective 3 December 2021.

November

- At the beginning of November, Eurowings, a subsidiary of Lufthansa, launched operations of its base at Václav Havel Airport Prague, housing two of the carrier's Airbus A319 aircraft there. These are used to operate 14 destinations under the winter flight schedule, and up to 16 destinations under the summer schedule.
- Prague Airport announces its intention to launch another round of the Ventilation programme for the municipalities most affected by air traffic noise in 2022. We are thus boosting the already implemented noise abatement measures in the form of window replacements. The programme will focus on selected municipalities within the Noise Protection Zone, which are most burdened by air traffic noise.

December

- Effective 17 December 2021, passengers can fly to Geneva aboard resumed SWISS airlines flights.
- On 20 December 2021, the launch of the new Bees Airline route to Lviv, Ukraine, is welcomed.
- On 21 December 2021, direct flights of the Čedok travel agency in co-operation with LOT Polish Airlines to the African island of Zanzibar are launched.

- On 24 December 2021, Eurowings launches its direct route to Rome, which is to be operated three times a week.
- Prague Airport is re-assigned the ACI Airport Health Accreditation for another 12 months. Thus, we can confirm that the set protection measures are at a high level, and thanks to them we are a safe place for passengers and employees.
- The final approval of the new Airport Price List is obtained with the period of validity commencing on 27 March 2022 and ending on 25 March 2023.

2022 Subsequent Events Prior to the Annual Report Signing Date

January

- In 2021, Václav Havel Airport Prague handles 4.4 million passengers, which is about 20% more than in 2020, but still 75% less than in the record year of 2019.
- On 16 January 2022, following his own request, Mr. Ondřej Landa, Vice-Chairman of the Supervisory Board of Letiště Praha, a. s., steps down from his position.

February

- Prague Airport devotes increased supervision to the settlement of receivables of its subsidiaries from Czech Airlines in connection with the prepared Czech Airlines reorganisation plan.
- The Board of Directors finalizes a 2022 Draft Business Plan for 2022 that is based on the assumption of 8.6 million handled passengers. The Draft is reviewed by the Supervisory Board resulting in a recommendation to the Shareholder that the Draft be approved.
- Following the invasion of Russian troops in Ukraine, the air space of Ukraine is closed for all civilian aircraft. Subsequently, the Ministry of Transport of the Czech Republic closes the air space for all Russian carriers. As a result, all services from Prague to Ukraine and Russia are suspended.

March

- United Airlines informs that the earlier declared intention to re-launch their service from Prague to Newark will not be implemented this season.
- In the period from 28 March to 1 July 2022, the secondary runway 12/30 will be used for operations at the airport instead of the main runway.

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

Detailed information on the Company's performance and economic position is provided in the appendices to this annual report, in particular in the financial statements, which form an integral part of the annual report.

2022 Outlook

Economic Situation

The macroeconomic assumptions of the 2022 Financial Plan are based on a document published by the Ministry of Finance of the Czech Republic – 51st Colloquium – a review of forecasts of the Czech Republic macroeconomic development trends (2021–2024) – average review results. The number of passengers handled, equal to 8.6 million, was the key assumption upon drafting the plan. This estimate reflects the most up-to-date information from air carriers, and at the same time corresponds to the conservative variant of air traffic development prepared by the ACI Airports Association.

The actual development of air traffic will depend on the extent to which the crisis caused by the global Covid-19 pandemic has been managed, especially in view of the gradual relaxation of restrictive measures implemented by individual states, and the effective setting of uniform rules for travel by individual countries.

The impact of the Russian aggression in Ukraine will be another important factor. When undertaking the impact assessment, it is necessary to point out that the current situation is very volatile and, therefore, it is very difficult to estimate potential impacts. Right after the suspension of air travel to Ukraine and Russian, the Company's management conducted an analysis of direct impacts of these measures, especially in terms of the risk of loss in aeronautical and non-aeronautical revenues in comparison with the plan. If the current restrictions continued to be in place, a decrease of 0.5 million passengers travelling to Ukraine and Russian could be expected in the period from March do December 2022. That could, in turn, result in a drop in revenues of CZK 250 million in total for both aeronautical and non-aeronautical segments. In relation to the total planned revenues from these segments, the amount represents around 5 %.

Despite this possible drop in the number of passengers, it is quite realistic to expect, based on the current available data, that Prague Airport will handle the number of passengers as planned for 2022. That is caused by the fact that the current pace of restart of interest in air travel following a partial lift of restrictions related to Covid-19 pandemic more than makes up for the drop in operations brought about by the war in Ukraine. Furthermore, we would like to add that, based on the current forecast by IATA, the conflict in Ukraine will most likely not jeopardize a long-term growth after Covid-19, reaching the pre-crisis level of traffic in 2024 globally, and in 2026 specifically in Prague. However, it is clear that there are risks for this growth, particularly in the markets that are more exposed to the conflict.

In terms of potential cash flow disruptions arising from the current sanctions, the Company is not aware of any significant risks. Most of our receivables from Ukrainian and Russian carriers are paid and we do not hold any financial assets that would be jeopardized through financial difficulties of financial institutions affected by the sanctions. In this regard, we keep on monitoring the situation of our business partners.

Given the above, we consider the going concern assumption of the Company to be entirely appropriate and we are not aware of any significant uncertainties that would call it into question. However, it is necessary to add that in the event of more substantial macroeconomic impacts on the Czech economy, caused by the military aggression of Russia in Ukraine, a drop in the interest in travelling by Czech citizens could ultimately ensue, be it because of growing household costs or concerns about their safety abroad. In general, it can be expected that further escalation of the situation in Ukraine could trigger lower consumer confidence and economic activity, affecting even a wider geographical area than the directly neighbouring countries. That could, in turn, result in fewer handled passengers at Václav Havel Airport Prague within the incoming tourism segment. The impact of this negative scenario is hard to quantify at this moment. However, it can be noted that should this scenario unfold, the management would take necessary steps focusing on the costs (e.g., suspension of hiring, phasing of purchased services or review of investment plan). We add that the Company still has a large portion of the mid-term credit framework concluded last year at its disposal, which could cover necessary financing needs should an extremely negative scenario unfold.

2022 Main Objectives

- Stabilization of the current staff and recruiting new employees to cover the expected increase in operations
- Preparation of the parallel runway project in terms of the Zoning Permit-related procedures
- Updating the terminal capacity expansion project and providing due co-operation with regard to the airport rail connection project preparatory phase
- Promoting more intense co-operation with regional airports in the Czech Republic
- Identification of co-operation opportunities for Prague Airport subsidiaries with strategic partners and their long-term stabilisation
- Preparatory steps to ensure successful course of major revenue-generating tenders
- Launch of the Prague Airport City project

2022 Key Investment Projects

- Upgrades and updates to perimeter security
- Terminal 3 reconstruction
- Terminal 1 administrative section reconstruction
- Reconstruction of the AxBxDxG taxiway crossing
- Demolition and remediation of the fuel tank trucks depot

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

In the period from 1 January 2021 to 31 December 2021, Prague Airport received twenty-seven (27) 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 approving the request to provide information: 23 (of which one Decision partially approving the provision of information)

The number of issued Decisions declining the request: 5 (of which one Decision partially rejecting the provision of information)

The number of issued Decisions deferring the petition: 0

The number of appeals lodged against the Decision declining the request: 5

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

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

Letiště Praha, a. s., is in 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 Annual Report

The Board of Directors hereby declares that the information included in the 2021 Annual Report corresponds to the real situation and gives a true and fair view of the Company's financial situation, business activities and results of its operations for the previous accounting period and that no fundamental circumstances were omitted that might affect the precise and correct assessment of the performance, activities and economic position of Letiště Praha, a. s.

In Prague on 31 March 2022



Jiří Pos
Chairman of the Board of Directors
Letiště Praha, a. s.



Jiří Kraus
Vice-Chairman of the Board of Directors
Letiště Praha, a. s.

7. Appendices

- Report on the Relations between the Controlling Entity and the Controlled Entity and between the Controlled entity and other Entities Controlled by the Same Controlling Entity
- Report of the Supervisory Board of the Company
- Report of the Audit Committee of the Company
- Financial Statements for the Year Ended 31 December 2021
 - Balance Sheet as at 31 December 2021
 - Profit and Loss Account for the Year 2021
 - Cash-Flow Statement for the Year 2021
 - Statement of Changes in Equity for the Year 2021
 - Notes to the Financial Statements for the Year Ended 31 December 2021
- Independent Auditor's Report to the Shareholder of the Company

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

Drafted by Letiště Praha, a. s. Board of Directors pursuant to Section 82, Chapter 1 of Act No. 90/2012 Coll., as amended, on Business Corporations and Cooperatives (the Business Corporations Act) for the reference period from 1 January 2021 to 31 December 2021.

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

1. Controlled Entity

Letiště Praha, a. s.

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

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

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

2. Controlling Entity

The Ministry of Finance

With its registered seat at: Letenská 525/15, Malá Strana, 118 00 Prague 1,
Identification Number: 000 06 947

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

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

3. Role of the Controlled Entity

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

4. Other Entities Controlled by the Same Controlling Entity

(hereinafter referred to as “the Related Entities”)

1. ČEPRO, a.s.

With its registered seat at: Dělnická 213/12, Holešovice, Post Code: 170 00 Prague 7
Company Identification Number: 601 93 531
Registered in the Commercial Register administered by the Municipal Court in Prague, Section B,
Entry 2341.

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

2. Česká exportní banka, a.s.

With its registered seat at: Prague 1, Vodičkova 34 č.p. 701, Post Code: 11121
Company Identification Number: 630 78 333

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

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

3. ČEZ, a. s.

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

Company Identification Number: 452 74 649

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

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

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

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

Company Identification Number: 452 79 314

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

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

5. GALILEO REAL, k.s. v likvidaci

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

Company Identification Number: 261 75 291

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

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

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

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

Company Identification Number: 451 44 419

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

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

7. IMOB a.s. v likvidaci

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

Company Identification Number: 601 97 901

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

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

8. Kongresové centrum Praha, a.s.

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

Company Identification Number: 630 80 249

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

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

9. MERO ČR, a.s.

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

Company Identification Number: 601 93 468

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

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

10. MUFIS a.s.

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

Company Identification Number: 601 96 696

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

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

11. PRISKO a.s.

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

Company Identification Number: 463 55 901

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

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

12. Severočeské mlékárny, a.s. Teplice

With its registered seat at: Teplice 41503, Libušina 2154

Company Identification Number: 482 91 749

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

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

13. THERMAL-F, a.s.

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

Company Identification Number: 254 01 726

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

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

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

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

Company Identification Number: 000 10 669

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

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

5. Other Entities Controlled by the Controlled Entity

1. Czech Airlines Handling, a.s.

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

Company Identification Number: 256 74 285

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

The company provides handling services at Václav Havel Airport Prague, including technical and operational dispatch of aircraft on aprons, handling of passengers including their baggage, cargo and

post. Its scope of business is outlined in detail in company's Articles of Association. The Controlled Entity owns 100 % shares of the company.

2. Czech Airlines Technics, a.s.

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

Company Identification Number: 271 45 573

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

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

3. B. aircraft, a.s.

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

Company Identification Number: 242 53 006

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

The company focused in the reference period primarily on providing services related to former lease of aircrafts to the air carriers and their subsequent purchase. Its scope of business is outlined in detail in company's Articles of Association. The Controlled Entity owns 100 % shares of the company.

6. Other Entities Controlled by the Related Entities

IMOB a.s. v likvidaci

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

MERO ČR, a.s.

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

PRISKO a.s.

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

Výzkumný a zkušební letecký ústav, a.s.

- ▶ **VZLU TECHNOLOGIES, a.s.**, with its registered seat at: Beranových 130, 199 00 Prague, Letňany, Company Identification Number: 291 46 241, the Related Entity owns 100% shares of the company.
- ▶ **VZLU TEST, a.s.**, with its registered seat at: Beranových 130, 199 00 Prague, Letňany, Company Identification Number: 045 21 820, the Related Entity owns 100% shares of the company.
- ▶ **SERENUM, a.s.**, with its registered seat at: Jana Babáka 2733/11, Královo Pole, 612 00 Brno, Company Identification Number: 014 38 875, the Related Entity owns 100% shares of the company.

Entities controlled by ČEZ, a. s.

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

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

1. Structure of Relations

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

Related Entity	Share	Note
ČEPRO, a.s.	100,00%	
Česká exportní banka, a.s.	84,00%	
ČEZ, a.s.	69,78%	
Exportní garanční a pojišťovací společnost, a.s.	100,00%	
GALILEO REAL, k.s. v likvidaci	100,00%	
HOLDING KLADNO a.s., "v likvidaci"	96,85%	
IMOB a.s. v likvidaci	100,00%	
Kongresové centrum Praha, a.s.	54,35%	
MERO ČR, a.s.	100,00%	
MUFIS a.s.	49,00%	
PRISKO a.s.	100,00%	
Severočeské mlékárny, a.s. Teplice	40,78%	
THERMAL-F, a.s.	100,00%	
Výzkumný a zkušební letecký ústav, a.s.	100,00%	

2. Methods and Means of Control

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

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

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

SECTION III. REFERENCE PERIOD

The report covers the last accounting period, i.e. the accounting period from 1st January 2021 to 31st December 2021.

SECTION IV OVERVIEW OF ACTIONS TAKEN IN THE REFERENCE PERIOD, WHICH WERE TAKEN AT THE INITIATIVE OR IN THE INTEREST OF THE CONTROLLING ENTITY OR THE RELATED ENTITIES, WHERE SUCH ACTIONS CONCERNED ASSETS EXCEEDING 10% OF THE CONTROLLED ENTITY'S EQUITY AS DETERMINED FROM THE FINANCIAL STATEMENTS FOR THE PERIOD IMMEDIATELY PRECEDING THE ACCOUNTING PERIOD FOR WHICH THIS REPORT ON RELATIONS IS BEING PROCESSED

No legal actions nor other measures were taken by the Controlled Entity in the reference period at the initiative or in the interest of the Controlling Entity or the Related Entities concerning assets exceeding 10% of the Controlled Entity's equity as determined from the financial statements for the period immediately preceding the accounting period immediately preceding the accounting period for which this report on relations is being processed (as at 31/12/2020 10% of the Controlled Entity's equity capital was CZK 3,278,298 thousand). The Controlled Entity was also not prevented from taking actions or making strategic decisions due to the control of the company motivated by the interests or initiatives of the Controlling Entity.

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

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

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

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

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

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

SECTION VI DAMAGE SETTLEMENT

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

SECTION VII RELATION CONSEQUENCES ASSESSMENT

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

SECTION VIII CONCLUSION

This report was discussed and approved by the Board of Directors of the Controlled Entity on 3 March 2022.

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

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

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

In Prague, on 3 March 2022



Jiří Pos
Chairman of the Board of Directors
Letiště Praha, a. s.



Jiří Kraus
Vice-Chairman of the Board of Directors
Letiště Praha, a. s.

Supervisory Board Report

1. Supervisory Board Meetings

In the course of 2021, the Supervisory Board of the company Letiště Praha, a. s. (hereinafter referred to as “the Company”) met at five meetings held at the Company’s registered office, and another six meetings were held via Microsoft Teams videoconference.

2. Supervisory Board Members

Members of the Supervisory Board as of 31 December 2021

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

Personnel Changes in the Supervisory Board of the Company during the Year 2021

Kamil Pomahač – termination of the membership as of 8 June 2021

Milan Suchý – appointed Member as of 9 June 2021

3. Work of the Supervisory Board in the Reporting Period

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

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

At its meetings, the Supervisory Board regularly discussed the economic performance of the Company, and performance of agreed financial plan and plan of investments. It also controlled and supervised financial management as well as supervised integrity of accounting and financial reporting systems. Each year, the Supervisory Board discusses and gives its recommendations on the proposal of Business and Financial Plan including the Investment Plan of the Letiště Praha Group companies. In accordance with Articles of Association of the Company, the Supervisory Board also puts forward its opinion on the proposal of the Board of Directors for setting and evaluation of yearly key performance indicators of members of Boards of Directors of the companies within the Group.

Just as last year, as a result of the continued global Covid-19 pandemic, the year of 2021 was quite specific for the Supervisory Board of the Company. On a regular basis, the Board dealt with immediate impact on the economic performance and operations of the Company and was informed about new routes, preparation and conclusion of a loan securing long-term financing, and about the preparation of a draft financial plan for 2022, which was drawn up in more versions, reflecting different scenarios of air traffic development.

When needed, the Supervisory Board consulted ad hoc issues that are, in accordance with the applicable legislation, subject to a decision by the sole shareholder acting in the capacity of the General Meeting of the Company, giving respective recommendations. In February 2021, the Supervisory Board discussed a proposal of the Board of Directors to change the Articles of Association and recommended that the sole shareholder should approve the proposal.

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

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

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

In Prague, 10 March 2022


Jan Švejnar

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

Audit Committee Report

1. Legal Status of Audit Committee

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

2. Audit Committee Meetings

In the course of 2021, the Audit Committee met at two meetings at the Company's registered office and another six meetings were held via Microsoft Teams videoconference. The meetings took place on the following days:

- 21 January 2021
- 10 March 2021
- 29 March 2021
- 13 May 2021
- 27 May 2021
- 9 September 2021
- 11 November 2021
- 9 December 2021

Besides the Committee members, the meetings held in 2021 until the September meeting were also attended by Mr. Jiří Černík, Member of Letiště Praha, a. s., (hereinafter also referred to as "Prague Airport" or "the Company") Board of Directors. The December meeting was attended by Mr. Jiří Pos, Chairman of the Board of Directors. Other regular participants were Mrs. Iveta Kašparová (Accounting and Taxes) and Mr. Filip Zelingr (Audit, Risk Management and Compliance). Representatives of PricewaterhouseCoopers Audit, s.r.o., (hereinafter also referred to as "PwC"), which was appointed as an external auditor for the period from 2019 to 2022 by the sole shareholder in exercising the powers of the General Meeting, were invited to discuss topics and activities related to the external audit.

3. Members of the Audit Committee

Members of the Audit Committee as of 31 December 2021

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

There were no personnel changes in the Audit Committee during the year 2021.

4. Work of the Audit Committee in the Reporting Period

In 2021, the Audit Committee worked fully in compliance with applicable legal regulations, particularly with the Act on Auditors, the Articles of Association, the Rules of Procedure of the Audit Committee and the approved Plan of Activities of the Audit Committee for 2021.

In relation to the continued global Covid-19 pandemic throughout 2021, the Audit Committee was regularly informed at its meetings of the immediate development of the situation, impacts on economic activities and operation of the Company and measures adopted by the Board of Directors of the Company.

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

- Drafting of the Audit Committee's Activity Report for 2020 addressed to the sole shareholder (Annex of Letiště Praha, a. s., Annual Report for 2020);
- Monitoring of drafting process of financial statements and consolidated financial statements on a continuous basis (discussions with the representatives of the Company management);
- Monitoring of process of statutory audit of financial statements and consolidated financial statements on a continuous basis (external auditor's representatives (PwC) presentations of the audit process of the financial statements, and discussions with external auditor) and final assessment of compulsory audit outcome;
- Evaluation of the external auditor (especially in terms of the auditor's independence and quality of the audit);
- Discussing the Annual Reports of the Internal Audit, Risk Management and Compliance;
- Monitoring of effectiveness of internal control system, of internal audit and risk management of the Company;
- Oversight of performance, independence and objectivity of the internal audit;
- Approval or pre-approval regarding provision of "other non-audit services" pursuant to the Act on Auditors;
- Discussions on Quarterly Summary Reports on the Implementation of the Internal Audit Plan and on Implementation of Adopted Corrective Measures;
- Approval of a change in the Internal Audit and Risk Management Plan for 2021;
- Approval of the Internal Audit and Risk Management Plan for 2022;
- Discussions on results of conducted internal audits and on implementation of adopted corrective measures;
- Approval of the Schedule of the Meetings and Plan of Activities of the Audit Committee for the year 2022;
- Information on key developments in Prague Airport Group.

5. Conclusion

The Plan of Activities of the Audit Committee for the year 2021 was fully implemented. The Audit Committee regularly informed the Supervisory Board and, if applicable, it put forward its recommendations on the issues that were discussed during the AC meetings through the Chairman of the AC, who took part in the Supervisory Board meetings.

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

In Prague, 14 March 2022



Petr Šobotník

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

Financial Statements

For the Year Ended 31 December 2021

LETIŠTĚ PRAHA, A. S.
BALANCE SHEET
AS AT 31.12.2021 (IN THOUSAND CZK)

		31.12.2021			31.12.2020
		Gross	Adjustment	Net	Net
	TOTAL ASSETS	59,329,155	(23,947,804)	35,381,351	36,055,650
B.	Fixed assets	58,307,210	(23,837,593)	34,469,617	35,532,261
B.I.	Intangible fixed assets	1,122,599	(905,339)	217,260	202,255
	2. Royalties	1,091,699	(905,324)	186,375	171,927
	2.1. <i>Software</i>	1,014,463	(844,695)	169,768	145,510
	2.2. <i>Other royalties</i>	77,236	(60,629)	16,607	26,417
	4. Other intangible fixed assets	-	-	-	2,781
	5. Advances paid and intangible fixed assets in the course of construction	30,900	(15)	30,885	27,547
	5.2. <i>Intangible fixed assets in the course of construction</i>	30,900	(15)	30,885	27,547
B.II.	Tangible fixed assets	54,448,688	(21,621,967)	32,826,721	32,938,131
	1. Land and constructions	45,111,880	(15,638,949)	29,472,931	28,879,342
	1.1. <i>Land</i>	18,195,223	-	18,195,223	18,195,223
	1.2. <i>Constructions</i>	26,916,657	(15,638,949)	11,277,708	10,684,119
	2. Equipment	8,461,129	(5,823,382)	2,637,747	2,445,231
	3. Adjustment to acquired fixed assets	216,274	(154,996)	61,278	75,696
	4. Other tangible fixed assets	19,652	(4,640)	15,012	16,434
	4.3. <i>Tangible fixed assets - other</i>	19,652	(4,640)	15,012	16,434
	5. Advances paid and tangible fixed assets in the course of construction	639,753	-	639,753	1,521,428
	5.1. <i>Advances paid for tangible fixed assets</i>	99	-	99	1
	5.2. <i>Tangible fixed assets in the course of construction</i>	639,654	-	639,654	1,521,427
B.III.	Long-term investments	2,735,923	(1,310,287)	1,425,636	2,391,875
	1. Investments - subsidiaries and controlling party	2,733,140	(1,310,287)	1,422,853	2,389,163
	7. Other long-term investments	2,783	-	2,783	2,712
	7.1. <i>Long-term investments - other</i>	2,783	-	2,783	2,712
C.	Current assets	990,594	(110,211)	880,383	482,805
C.I.	Inventories	63,176	(9,623)	53,553	32,178
	1. Raw materials	57,496	(9,623)	47,873	26,823
	2. Work in progress and semi-finished products	725	-	725	615
	3. Finished goods and goods for resale	4,006	-	4,006	3,756
	3.1. <i>Finished goods</i>	24	-	24	67
	3.2. <i>Goods for resale</i>	3,982	-	3,982	3,689
	4. Immature livestock	936	-	936	907
	5. Advances paid for inventory	13	-	13	77
C.II.	Receivables	914,921	(100,588)	814,333	438,004
	1. Long-term receivables	207,932	-	207,932	30,194
	1.1. Trade receivables	14,146	-	14,146	30,194
	1.4. Deferred tax asset	176,604	-	176,604	-
	1.5. Receivables - other	17,182	-	17,182	-
	1.5.4. <i>Other receivables</i>	17,182	-	17,182	-
	2. Short-term receivables	706,989	(100,588)	606,401	407,810
	2.1. Trade receivables	567,990	(96,450)	471,540	222,974
	2.4. Receivables - other	138,999	(4,138)	134,861	184,836
	2.4.3. <i>Taxes - receivables from the state</i>	56,464	-	56,464	104,182
	2.4.4. <i>Short-term advances paid</i>	13,555	-	13,555	40,426
	2.4.5. <i>Estimated receivables</i>	53,657	(2,084)	51,573	38,365
	2.4.6. <i>Other receivables</i>	15,323	(2,054)	13,269	1,863
C.IV.	Cash	12,497	-	12,497	12,623
	1. Cash in hand	4,481	-	4,481	3,966
	2. Cash at bank	8,016	-	8,016	8,657
D.	Prepayments and accrued income	31,351	-	31,351	40,584
	1. Prepaid expenses	31,351	-	31,351	37,864
	3. Accrued income	-	-	-	2,720

LETIŠTĚ PRAHA, A. S.
BALANCE SHEET
AS AT 31.12.2021 (IN THOUSAND CZK)

		31.12.2021	31.12.2020
	TOTAL LIABILITIES AND EQUITY	35,381,351	36,055,650
A.	Equity	31,863,778	32,782,975
A.I.	Share capital	27,031,564	27,031,564
	1. Share capital	27,031,564	27,031,564
A.II.	Share premium and capital contributions	38,508	14,144
	2. Capital contributions	38,508	14,144
	2.1. <i>Other capital contributions</i>	14,317	13,354
	2.2. <i>Assets and liabilities revaluation</i>	24,191	790
A.IV.	Retained earnings / Accumulated losses	5,737,267	7,597,742
	1. Retained earnings	5,737,267	7,597,742
A.V.	Profit / (loss) for the current period	(943,561)	(1,860,475)
B.+C.	Liabilities	3,419,578	3,195,761
B.	Provisions	176,339	207,131
	4. Other provisions	176,339	207,131
C.	Liabilities	3,243,239	2,988,630
C.I.	Long-term liabilities	1,175,666	271,353
	2. Liabilities due to financial institutions	900,000	-
	4. Trade payables	275,666	260,015
	8. Deferred tax liability	-	11,338
C.II.	Short-term liabilities	2,067,573	2,717,277
	2. Liabilities due to financial institutions	973,909	237,232
	3. Short-term advances received	16,304	12,347
	4. Trade payables	566,245	591,375
	6. Liabilities - subsidiaries and controlling party	110,315	1,290,736
	8. Liabilities - other	400,800	585,587
	8.3. <i>Liabilities to employees</i>	93,131	115,963
	8.4. <i>Liabilities for social security and health insurance</i>	51,373	52,928
	8.5. <i>Taxes and state subsidies payable</i>	15,425	27,723
	8.6. <i>Estimated payables</i>	238,529	386,506
	8.7. <i>Other liabilities</i>	2,342	2,467
D.	Accruals and deferred income	97,995	76,914
	1. Accrued expenses	81,770	63,040
	2. Deferred income	16,225	13,874

LETIŠTĚ PRAHA, A. S.
PROFIT AND LOSS ACCOUNT
FOR THE YEAR 2021 (IN THOUSAND CZK)

		2021	2020
I.	Sales of products and services	3,064,192	2,917,055
II.	Sales of goods	12,155	9,189
A.	Cost of sales	1,114,210	1,077,868
1.	Cost of goods sold	6,446	7,004
2.	Raw materials and consumables used	408,125	373,851
3.	Services	699,639	697,013
B.	Changes in inventories of finished goods and work in progress	846	2,213
C.	Own work capitalised	(29,001)	(32,670)
D.	Staff costs	1,914,340	2,291,384
1.	Wages and salaries	1,381,654	1,663,389
2.	Social security, health insurance and other social costs	532,686	627,995
2.1.	<i>Social security and health insurance costs</i>	471,185	530,075
2.2.	<i>Other costs</i>	61,501	97,920
E.	Value adjustments in operating activities	1,327,550	1,603,590
1.	Value adjustments of fixed assets	1,343,439	1,521,210
1.1.	<i>Depreciation, amortisation and write off of fixed assets</i>	1,393,595	1,319,041
1.2.	<i>Provision for impairment of fixed assets</i>	(50,156)	202,169
2.	Provision for impairment of inventories	(132)	535
3.	Provision for impairment of receivables	(15,757)	81,845
III.	Operating income - other	156,211	160,102
1.	Sales of fixed assets	7,473	28,263
2.	Sales of raw materials	22,782	21,311
3.	Other operating income	125,956	110,528
F.	Operating expenses - other	58,440	124,245
1.	Net book value of fixed assets sold	651	7,275
2.	Material sold	21,206	19,590
3.	Taxes and charges from operating activities	14,247	10,654
4.	Operating provisions and complex prepaid expenses	(30,792)	4,885
5.	Other operating expenses	53,128	81,841
*	Operating result	(1,153,827)	(1,980,284)
VI.	Interest and similar income	62	6,989
2.	Other interest and similar income	62	6,989
I.	Value adjustments and provisions from financial operations	(41,182)	216,761
J.	Interest and similar expenses	24,507	12,372
1.	Interest and similar income - subsidiaries or controlling party	7,124	6,438
2.	Other interest and similar income	17,383	5,934
VII.	Other financial income	9	7
K.	Other financial expenses	5,594	3,867
*	Financial result	11,152	(226,004)
**	Net profit / (loss) before taxation	(1,142,675)	(2,206,288)
L.	Tax on profit or loss	(199,114)	(345,813)
1.	Tax on profit or loss - current	(5,700)	(1,109)
2.	Tax on profit or loss - deferred	(193,414)	(344,704)
**	Net profit / (loss) after taxation	(943,561)	(1,860,475)
***	Net profit / (loss) for the financial period	(943,561)	(1,860,475)
*	Net sales for the financial period	3,232,629	3,093,342

LETIŠTĚ PRAHA, A. S.
CASH FLOW STATEMENT
FOR THE YEAR 2021 (IN THOUSAND CZK)

	2021	2020
Cash flows from operating activities		
	(1,142,675)	(2,206,288)
	1,284,229	1,810,147
A.1	1,402,669	1,320,247
A.1.1	(138,019)	506,196
A.1.2	(6,822)	(20,987)
A.1.3	24,445	5,383
A.1.5	1,956	(692)
A.1.6	141,554	(396,141)
A*	(252,225)	416,012
A.2	(156,932)	624,420
A.2.1	(74,049)	(210,097)
A.2.2	(21,244)	1,689
A.2.3	(110,671)	19,871
A**	62	6,989
A.4	5,700	4,469
A.5	(104,909)	31,329
A***		
Cash flows from investing activities		
B.1	(1,346,643)	(3,791,868)
B.2	7,473	28,263
B.4.	1,007,409	1,306,620
B***	(331,761)	(2,456,985)
Cash flows from financing activities		
C.1	(276,563)	1,008,866
C.2	-	(248,659)
C.2.6	-	(248,659)
C.3	(23,653)	(18,062)
C***	(300,216)	742,145
	(736,886)	(1,683,511)
	(224,526)	1,458,985
	(961,412)	(224,526)

*) The capital reduction was settled against received loan.

LETIŠTĚ PRAHA, A. S.
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR 2021 (IN THOUSAND CZK)

	Share capital	Share premium and capital contributions	Assets and liabilities revaluation	Retained earnings and loss for the current period	Total
Balance as at 1 January 2020	2,512,227	24,532,457	946	7,597,742	34,643,372
Equity transactions with owners	24,519,337	(24,519,337)	-	-	-
Share capital increase	24,519,337	(24,519,337)			
Other transactions	-	234	(156)	(1,860,475)	(1,860,397)
Assets acquired free of charge		234			234
Revaluation of securities			(156)		(156)
Net profit / (loss) for the financial period				(1,860,475)	(1,860,475)
Balance as at 31 December 2020	27,031,564	13,354	790	5,737,267	32,782,975
Other transactions	-	963	23,401	(943,561)	(919,197)
Assets acquired free of charge		963			963
Revaluation of securities			72		72
Revaluation of the hedging derivatives to fair value			28,802		28,802
Income tax impact			(5,473)		(5,473)
Net profit / (loss) for the financial period				(943,561)	(943,561)
Balance as at 31 December 2021	27,031,564	14,317	24,191	4,793,706	31,863,778

Notes to the Financial Statements

For the Year Ended 31 December 2021

1. General Information

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

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

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

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

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

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

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

2. Accounting Principles

a) Basis of Preparation of Financial Statements

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

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

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 Company's operations in the year ending 31 December 2021.

However, the Company 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.

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

b) Intangible Fixed Assets

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

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

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

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

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

	Number of Years
Software	2 – 20
Licenses	over the contract term

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

Emission allowances are presented by the Company as other intangible fixed assets. Emission allowances allocated to the Company by the National Allocation Plan are recorded to the account of other intangible fixed assets and to the account taxes and state subsidies payable upon being credited to the Company in the Register of Emission Allowances in the Czech Republic.

Emission allowances allocated to the Company free of charge are recorded at replacement cost. Emission allowances purchased by the Company are recorded at acquisition cost.

2. Accounting Principles (continued)

b) Intangible Fixed Assets (continued)

The consumption of emission allowances is recorded to other operating expenses on the basis of an estimate of actual CO₂ emissions produced in the period. At the same time the emission allowances liabilities are released in other operating income if it is consumption of the allocated emission allowances.

The first-in-first-out method is applied for all disposals of emission allowances.

A provision is created for the deficit in emission allowances to cover their consumption in the disclosed period.

c) Tangible Fixed Assets

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

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

Tangible fixed assets manufactured internally are recorded at own cost.

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

Technical improvements exceeding the amount of CZK 80 thousand per an individual asset for the period are capitalised.

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

	Number of years
Constructions	20 – 60
Machinery and equipment	4 – 20
Furniture and fixtures	6 – 12
Vehicles	4 – 12

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

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

2. Accounting Principles (continued)

d) Long-term investments

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

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

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

e) Inventories

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

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

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

f) Receivables

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

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

g) Cash Flow

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

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

h) Foreign Currency Translations

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

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

The foreign exchange gains and losses relating to provisioned receivables in foreign currencies are calculated from the net value of receivable.

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

2. Accounting Principles (continued)

i) Revenue and Expense Recognition

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

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

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

j) Subsidies

Subsidies are recognized on their receipt or when there is an undeniable right to receive the subsidy. When the subsidy relates to an expense item, it is recognised as operating or financial income. When the subsidy relates to an asset, it reduces the cost of the respectable asset.

k) Provisions

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

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

l) Employee Benefits

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

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

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

m) Liabilities

Trade payables are recorded in their nominal value.

n) Loans

Loans are stated at their nominal value.

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

o) Interest Costs

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

All other interest costs are expensed on an accrual basis.

2. Accounting Principles (continued)

p) Derivative Financial Instruments

The Company uses derivative financial instruments to hedge its exposure to financial risks.

The Company concluded interest rate hedging transaction (interest rate swap) to hedge its future cash flows against the interest rate risk. The financial instrument is classified as a hedging instrument (cash flow hedge) and is recognised at fair value.

Fair values are derived from quoted market prices or discounted cash-flow models. All derivatives are presented in Other receivables or in Other liabilities when their fair value is positive or negative, respectively. Based on the maturity date they are classified as short-term or long-term receivables or liabilities as appropriate.

Changes in the fair value of derivatives are recorded as revaluation reserve from assets and liabilities in equity and are transferred to the profit and loss and classified as an income or expense in the period during which the hedged item affects the profit and loss.

q) Taxation

Depreciation of Fixed Assets for Tax Purposes

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

Current Tax Payable

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

Deferred Taxation

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

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

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

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

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

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

r) Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Management of the Company has made these estimates and assumptions on the basis of all the relevant information available to it. Nevertheless, pursuant to the nature of estimates, the actual results and outcomes in the future may differ from these estimates.

2. Accounting Principles (continued)

s) Related Parties

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

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

t) Equity

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

u) Subsequent Events

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

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

3. Intangible Fixed Assets

Cost CZK '000	Software	Other royalties	Other intangible fixed assets	Intangible fixed assets in the course of construction	Total
1 January 2020	905,344	68,758	5,068	21,431	1,000,601
Addition/transfers	58,800	8,728	3,082	6,131	76,741
Disposals	(20,244)	-	(5,369)	-	(25,613)
31 December 2020	943,900	77,486	2,781	27,562	1,051,729
Addition/transfers	78,974	-	5,220	3,402	87,596
Disposals	(8,411)	(250)	(8,001)	(64)	(16,726)
31 December 2021	1,014,463	77,236	-	30,900	1,122,599

Accumulated amortisation and impairment CZK '000	Software	Other royalties	Other intangible fixed assets	Intangible fixed assets in the course of construction	Total
1 January 2020	(771,444)	(38,686)	-	(15)	(810,145)
Amortisation	(47,389)	(11,386)	-	-	(58,775)
Disposals	20,244	-	-	-	20,244
Increase/decrease of impairment	199	(997)	-	-	(798)
31 December 2020	(798,390)	(51,069)	-	(15)	(849,474)
Amortisation	(54,716)	(10,551)	-	-	(65,267)
Disposals	8,411	250	-	-	8,661
Decrease of impairment	-	741	-	-	741
31 December 2021	(844,695)	(60,629)	-	(15)	(905,339)

Net book value CZK '000	Software	Other royalties	Other intangible fixed assets	Intangible fixed assets in the course of construction	Total
31 December 2020	145,510	26,417	2,781	27,547	202,255
31 December 2021	169,768	16,607	-	30,885	217,260

4. Tangible Fixed Assets

Cost CZK '000	Land	Constructions	Equipment	Other tangible fixed assets	Tangible fixed assets in the course of construction	Advances paid for tangible fixed assets	Adjustment to acquired fixed assets	Total
1 January 2020	16,603,386	24,277,308	7,223,840	19,395	1,762,680	146,909	216,274	50,249,792
Additions/transfers	1,598,821	1,264,396	1,182,456	-	(236,594)	(146,908)	-	3,662,171
Disposals	(6,984)	(523)	(242,974)	-	(4,091)	-	-	(254,572)
31 December 2020	18,195,223	25,541,181	8,163,322	19,395	1,521,995	1	216,274	53,657,391
Additions/transfers	-	1,387,087	662,732	267	(879,689)	98	-	1,170,495
Disposals	-	(11,611)	(364,925)	(10)	(2,652)	-	-	(379,198)
31 December 2021	18,195,223	26,916,657	8,461,129	19,652	639,654	99	216,274	54,448,688

Accumulated depreciation and impairment CZK '000	Land	Constructions	Equipment	Other tangible fixed assets	Tangible fixed assets in the course of construction	Advances paid for tangible fixed assets	Adjustment to acquired fixed assets	Total
1 January 2020	-	(13,803,544)	(5,569,055)	(1,298)	(568)	-	(126,160)	(19,500,625)
Depreciation	-	(852,569)	(389,834)	(1,663)	-	-	(14,418)	(1,258,484)
Disposals	-	523	240,901	-	-	-	-	241,424
Other increase of depreciation	-	-	(204)	-	-	-	-	(204)
Increase/decrease of impairment	-	(201,472)	101	-	-	-	-	(201,371)
31 December 2020	-	(14,857,062)	(5,718,091)	(2,961)	(568)	-	(140,578)	(20,719,260)
Depreciation	-	(841,083)	(469,803)	(1,679)	-	-	(14,418)	(1,326,983)
Disposals	-	10,391	364,150	-	-	-	-	374,541
Other increase of depreciation	-	-	320	-	-	-	-	320
Decrease of impairment	-	48,805	42	-	568	-	-	49,415
31 December 2021	-	(15,638,949)	(5,823,382)	(4,640)	-	-	(154,996)	(21,621,967)

Net book value CZK '000	Land	Constructions	Equipment	Other tangible fixed assets	Tangible fixed assets in the course of construction	Advances paid for tangible fixed assets	Adjustment to acquired fixed assets	Total
31 December 2020	18,195,223	10,684,119	2,445,231	16,434	1,521,427	1	75,696	32,938,131
31 December 2021	18,195,223	11,277,708	2,637,747	15,012	639,654	99	61,278	32,826,721

In 2021, the most significant additions to tangible fixed assets were the expansion of the wastewater treatment plant and the reconstruction of taxiways and aircraft parking stands.

In 2021, line Depreciation, amortisation and write off of fixed assets in the profit and loss account includes the net book value of scrapped fixed assets in the amount of CZK 1,345 thousand (CZK 1,782 thousand in 2020).

The Company has no pledged assets as at 31 December 2021 and 2020.

As at 31 December 2021, land with a value of CZK 4,868,620 thousand was partly encumbered by easement (CZK 4,601,956 thousand as at 31 December 2020). However, the easements only related to an immaterial area of the land involved.

4. Tangible Fixed Assets (continued)

Based on an impairment review of constructions (with respect to their potential use either for its own purposes or for rent), the Company recorded an impairment of selected buildings, which equalled CZK 645,639 thousand as at 31 December 2021 (CZK 694,443 thousand as at 31 December 2020).

5. Investments in Subsidiaries

As at 31 December 2021 CZK '000	Acquisition date	Acquisition cost	Share in %	Net profit / (loss) in 2021	Equity
Czech Airlines Handling, a.s. (registered office: Praha 6, Aviatická 1017/2, post code 160 08)	26 October 2011	1,431,169	100	(58,599)	545,938
Czech Airlines Technics, a.s. (registered office: Praha 6 – Ruzyně, Jana Kašpara 1069/1, post code 160 08)	13 April 2012	1,085,000	100	(69,294)	724,951
B. aircraft, a.s. (registered office: Praha 6 – Ruzyně, Jana Kašpara 1069/1, post code 161 00)	27 November 2012	216,971	100	42,990	45,552
Total		2,733,140			

As at 31 December 2020 CZK '000	Acquisition date	Acquisition cost	Share in %	Net loss in 2020	Equity
Czech Airlines Handling, a.s. (registered office: Praha 6, Aviatická 1017/2, post code 160 08)	26 October 2011	1,431,169	100	(122,005)	604,537
Czech Airlines Technics, a.s. (registered office: Praha 6 – Ruzyně, Jana Kašpara 1069/1, post code 160 08)	13 April 2012	1,085,000	100	(214,088)	790,162
B. aircraft, a.s. (registered office: Praha 6 – Ruzyně, Jana Kašpara 1069/1, post code 161 00)	27 November 2012	1,224,380	100	(343,335)	1,009,971
Total		3,740,549			

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

On 16 June 2021, the Company as the sole shareholder in B. aircraft, a.s. decided to decrease the share capital of B. aircraft, a.s. by CZK 1,252,818 thousand. The amount of CZK 245,409 thousand was used to settle the accumulated losses of B. aircraft, a.s. and the amount of CZK 1,007,409 thousand was paid out to the Company in the form of settlement against received loan.

Management of the Company performed an impairment review of the investments in subsidiaries in 2021.

The impairment of B. aircraft, a.s. was decreased by CZK 41,099 thousand as at 31 December 2021. The Company's management has concluded that the valuation of the remaining investments in subsidiaries is adequate.

5. Investments in Subsidiaries (continued)

The impairment to investments in subsidiaries equalled CZK 1,310,287 thousand as at 31 December 2021 (CZK 1,351,386 thousand as at 31 December 2020).

6. Inventories

A provision for obsolete and slow-moving inventory was recorded in the amount of CZK 9,623 thousand as at 31 December 2021 (CZK 9,755 thousand as at 31 December 2020).

7. Receivables

CZK '000		31 December 2021	31 December 2020
Long-term receivables			
Trade receivables		14,146	30,194
Deferred tax asset		176,604	-
Other receivables		17,182	-
Long-term receivables total		207,932	30,194
Short-term receivables			
Trade receivables	- not yet due	400,095	193,819
	- overdue	167,895	143,349
Other receivables	- not yet due	136,943	184,891
	- overdue	2,056	2,096
Short-term receivables total		706,989	524,155
Allowance for doubtful receivables		(100,588)	(116,345)
Net receivables total		814,333	438,004

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

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

8. Equity

Authorised and Issued Share Capital:

31 December 2021			31 December 2020		
Nominal value	No.	Carrying value	Nominal value	No.	Carrying value
(CZK/share)	(pcs)	(CZK '000)	(CZK/share)	(pcs)	(CZK '000)
1,076	25,122,271	27,031,564	1,076	25,122,271	27,031,564

Based on the decision of the General Meeting of Shareholders held on 25 June 2021 the 2020 loss in the amount of CZK 1,860,475 thousand was settled against retained earnings.

Until the date of preparation of these financial statements, the Company has not proposed settlement of the loss incurred in 2021.

9. Provision

CZK '000	Income tax	Legal disputes and other business risks	Employee benefits, remuneration and redundancy payments	Noise abatement measures	Emission allowances	Total
Opening balance as at 1 January 2020	-	13,327	38,919	150,000	-	202,246
Charge for the year	4,591	-	21,444	-	-	26,035
Reversed	-	-	(2,308)	-	-	(2,308)
Utilized	-	-	(10,263)	(3,988)	-	(14,251)
Transfer from receivables	(4,591)	-	-	-	-	(4,591)
Closing balance as at 31 December 2020	-	13,327	47,792	146,012	-	207,131
Charge for the year	-	-	23,979	-	8,341	32,320
Reversed	-	(77)	(411)	-	-	(488)
Utilized	-	-	(47,430)	(15,194)	-	(62,624)
Closing balance as at 31 December 2021	-	13,250	23,930	130,818	8,341	176,339

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

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

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

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

A provision is created for the deficit in emission allowances to cover their consumption in the disclosed period.

10. Payables

CZK '000	31 December 2021	31 December 2020
Long-term liabilities		
Liabilities due to financial institutions	900,000	-
Trade payables	275,666	260,015
- of which payables within the consolidation group	7,934	7,934
Deferred tax liability	-	11,338
Long-term liabilities total	1,175,666	271,353
Short-term liabilities		
Trade payables - not yet due	565,430	561,548
- overdue	815	29,827
- of which payables within the consolidation group	887	2,557
Trade payables total	566,245	591,375
Liabilities due to financial institutions	973,909	237,232
Short-term advances received	16,304	12,347
Liabilities – subsidiaries and controlling party	110,315	1,290,736
Other liabilities - not yet due	400,800	585,587
- of which payables within the consolidation group	1,030	12,468
Short-term liabilities total	2,067,573	2,717,277
Short-term and long-term liabilities total	3,243,239	2,988,630

The above-mentioned liabilities have not been secured against any assets of the Company.

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

As at 31 December 2021 the Company has retainage payables in the amount of CZK 19,621 thousand (CZK 29,633 thousand as at 31 December 2020) due after more than 5 years.

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

As at 31 December 2021, short-term liabilities exceed short-term assets. However, it does not represent any endangerment of the financial position or the going concern of the Company, as the Company is able to revolve the short-term intercompany loans and has access to further external financing that exceeds the balance of short-term payables.

Estimated payables as at 31 December 2021 mainly include the unbilled acquisition of fixed assets in the amount of CZK 36,448 thousand (CZK 131,338 thousand as at 31 December 2020), unbilled rent discounts in relation to Covid-19 in the amount of CZK 0 thousand (CZK 112,248 thousand as at 31 December 2020), the expenses related to untaken vacation, quarterly and annual employees' bonuses in the amount of CZK 46,405 thousand (CZK 40,815 thousand as at 31 December 2020), the expenses related to volume-based incentives for airlines in the amount of CZK 84,719 thousand (CZK 35,195 thousand as at 31 December 2020), unsettled donations to municipalities in the amount of CZK 5,512 thousand (CZK 31,815 thousand as at 31 December 2020), and other unbilled operating expenses.

10. Payables (continued)

Loans and Other Debt

CZK '000	31 December 2021	31 December 2020
Bank loan - long term	900,000	-
- overdraft	973,909	237,232
Short term intercompany loans	110,315	1,290,736
of which <i>principal</i>	110,000	1,290,000
<i>accrued interest</i>	315	736
Loans and other debt total	1,984,224	1,527,968

In 2021 the Company entered into a syndicated loan agreement with a syndicate of banks Československá obchodní banka, a.s., Raiffeisenbank a.s. and Všeobecná úverová banka, a.s., with a total credit facility in the amount of CZK 7,000,000 thousand. The interest rate is defined as PRIBOR plus margin. The loan is not secured. The loan will be repaid between 17 March 2025 and 15 December 2027 in regular quarterly instalments.

The loan has certain financial covenants attached to it. Violation of these covenants can lead to immediate maturity of the debt. The Company has not violated these covenants as at 31 December 2021.

The Company drew the loan in the total amount of CZK 900,000 thousand as at 31 December 2021.

In 2021 and 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.

Interest expenses related to bank loans equalled CZK 17,383 thousand in 2021 (CZK 110 thousand in 2020).

On 15 January 2020, the Company concluded framework loan agreements with B. aircraft, a.s. and Czech Airlines Handling, a.s. Based on these agreements the Company drew a loan in the total amount of CZK 110,000 thousand as at 31 December 2021 (CZK 1,290,000 thousand as at 31 December 2020). The interest rate for the intercompany loans is defined as PRIBOR plus margin.

Interest expenses related to intercompany loans equalled CZK 7,124 thousand in 2021 (CZK 6,438 thousand in 2020).

11. Derivative Financial Instruments

Hedging derivatives

As at 31 December 2021, the Company has concluded the following cash-flow hedging derivatives:

CZK '000	Fair value		Nominal amount
	Positive	Negative	
Swap	29,002	-	900,000
Cash-flow hedging derivatives total	29,002	-	900,000

There were no cash-flow hedging derivatives concluded as at 31 December 2020.

Change in fair value of interest rate derivatives recorded in equity:

CZK '000	2021
As at 1 January	-
Fair value transferred during the year from equity to income statement	(200)
Fair value increase / (decrease)	29,002
Income tax related to cash flow hedging	(5,473)
As at 31 December	23,329

12. Other Liabilities

Accrued expenses as at 31 December 2021 mainly include unbilled acquisition of fixed assets in the amount of CZK 47,898 thousand (CZK 32,996 thousand as at 31 December 2020).

Deferred income mainly includes accrued rent and parking revenues.

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

Deferred income relating to the companies within the consolidation group as at 31 December 2021 equalled CZK 197 thousand (CZK 364 thousand as at 31 December 2020).

13. Income Tax

The income tax expense analysis:

CZK '000	2021	2020
Current tax expense	-	-
Retrospective utilisation of tax loss	(5,700)	(5,700)
Adjustment of prior year tax expense based on final CIT return	-	4,591
Deferred tax expense/(revenue)	(193,414)	(344,704)
Total income tax expense/(revenue)	(199,114)	(345,813)

The Company 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 Covid-19 pandemic. In line with the conditions, the tax loss generated in the year ending 31 December 2021 at the maximum allowed amount of CZK 30,000 thousand was utilised retrospectively and settled with the tax base of the year ending 31 December 2019, and the related tax receivable in the amount CZK 5,700 thousand was presented as Tax receivables.

The deferred tax asset / liability can be analysed as follows:

CZK '000	31 December 2021	31 December 2020
Deferred liability arising from:		
Difference between accounting and tax net book value of fixed assets	(294,260)	(504,411)
Derivative financial instruments	(5,472)	-
Deferred tax asset arising from:		
Provision and estimated payables	17,466	19,368
Allowances and other temporary differences	136,776	153,109
Tax loss	322,094	320,596
Net deferred tax asset/(liability)	176,604	(11,338)

14. Revenue Analysis

Revenues from the main activities:

CZK '000	2021	2020
Air traffic operations (mainly airline fees)	1,859,082	1,449,624
Commercial and other rent	525,515	831,895
Other revenues (parking, VIP lounges, restaurants)	691,750	644,725
Total	3,076,347	2,926,244

All revenues are generated in the Czech Republic.

15. Employees

Staff costs in 2021:

	Average recalculated number of employees	CZK '000
Salaries of the members of Board of Directors, Supervisory Board and Audit Committee	13	45,741
Wages and salaries of employees	2,260	1,335,913
Social security and health insurance costs		471,185
Social costs		61,501
Staff costs total	2,273	1,914,340

Staff costs in 2020:

	Average recalculated number of employees	CZK '000
Salaries of the members of Board of Directors, Supervisory Board and Audit Committee	13	22,863
Wages and salaries of employees	2,661	1,640,526
Social security and health insurance costs		530,075
Social costs		97,920
Staff costs total	2,674	2,291,384

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

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

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

In 2021, the members of the Supervisory Board, the members of the Board of Directors and the members of the Audit Committee received regular monthly remuneration in accordance with applicable agreements, which were approved by the Ministry of Finance. Furthermore, in 2021, after prior approval by the Supervisory Board, the members of the Board of Directors received a remuneration based on the fulfilment of assigned annual and medium-term KPIs. Provision had been created for the medium-term KPIs on an ongoing basis (provisions are included in Note 9). In 2021, two members of the Board of Director received a compensation for post-termination non-compete.

Except for the benefits mentioned above, no other financial or non-financial benefits were provided in 2021 to the founder, members of statutory and supervisory bodies, Audit Committee, or the Company's management.

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

16. Other operating income

The Company has utilised the Antivirus employment protection program announced by the Ministry of Labour and Social Affairs in the Czech Republic in order to mitigate the impact of the global coronavirus pandemic causing the Covid-19 disease. In 2021, according to the terms of this subvention program, the Company received a subvention in the amount of CZK 22,320 thousand (2020: CZK 73,366 thousand).

The Company has utilised a special subvention program Covid – Uncovered Costs and subvention program Covid 2021 announced by the Ministry of Industry and Trade in the Czech Republic in order to mitigate the impact of the global coronavirus pandemic causing the Covid-19 disease. In 2021, according to the terms of this subvention program, the Company received subvention in the amount of CZK 70,625 thousand (2020: CZK 0 thousand).

The subventions received are presented on the line Other operating income.

17. Related Party Transactions

Purchases and sales within the consolidation group:

CZK '000	2021		2020	
	Purchases / Interest	Sales	Purchases / Interest	Sales
Czech Airlines Handling, a.s.	8,973	150,144	8,441	131,683
Czech Airlines Technics, a.s.	1,769	204,163	10,317	204,695
B. aircraft, a.s.	8,761	994	9,380	2,184

Liabilities to the companies within the consolidation group are included in Notes 10 a 12.

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

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

18. Fees Paid and Payable to the Audit Company

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

19. Commitments

As at 31 December 2021 the Company had contracted investment commitments in total amount of CZK 432,640 thousand (CZK 1,063,283 thousand as at 31 December 2020).

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

20. Contingent Liabilities

Management of the Company is not aware of any contingent liabilities as at 31 December 2021.

21. Cash Flow Statement

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

CZK '000	31 December 2021	31 December 2020
Cash in hand, vouchers and cash in transit	4,481	4,049
Cash at bank	8,016	8,657
Overdraft bank loan	(973,909)	(237,232)
Total	(961,412)	(224,526)

22. Subsequent Events

In connection with the current situation regarding the Russian aggression in Ukraine and the related negative effects in the aviation industry, the Company's management assessed the expected impacts on the Company's financial situation in 2022. According to currently available data it is realistic to expect, that despite the anticipated outage of lines to Ukraine and Russia, the number of passenger check-ins will be close to the budgeted figures. The interest in air transportation is expected to resume following the further easing of Covid-19 restrictions, which should compensate for most of the outage caused by the war in Ukraine and keep revenue declines below 5% compared to the 2022 budgeted numbers. The Company has not identified any other significant effects on its financial position.

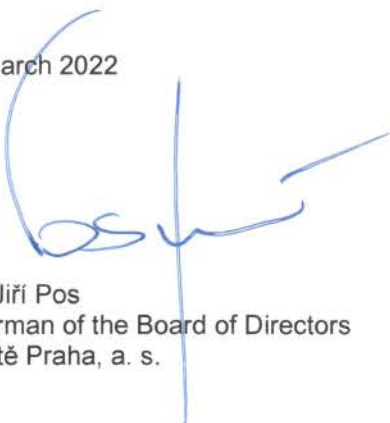
Due to the highly volatile situation, the Company's management monitors other possible cash flow disruptions due to sanctions, the financial situation of its business partners, increased risk of cyber-attacks or rising commodity prices and responds flexibly to situations to minimize the impact on the Company's financial results.

In case of more significant macroeconomic impacts on the Czech and world economy caused by Russia's military aggression in Ukraine, interest in traveling could eventually decline and be more significantly reflected in the Company's financial results. However, the effects of this negative scenario are difficult to quantify at this moment.

The Company considers the Russian aggression in Ukraine to be a non-adjusting event that does not have an impact on the financial statements for the year ended 31 December 2021. The potential impact on macroeconomic forecasts, the Company's position, and results will be included in the estimates of provisions and reserves in the financial statements for the year ended 31 December 2022. The Company's management believes that despite the above the Company is able to continue as a going concern.

No other events have occurred subsequent to year-end that would have a material impact on the financial statements for the year 2021.

31 March 2022



Ing. Jiří Pos
Chairman of the Board of Directors
Letiště Praha, a. s.



Ing. Jiří Kraus
Vice-Chairman of the Board of Directors
Letiště Praha, a. s.



Independent auditor's report

to the shareholder of Letiště Praha, a. s.

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of Letiště Praha, a. s., with its registered office at K letišti 1019/6, Praha 6 - Ruzyně (the "Company") as at 31 December 2021, of the Company's financial performance and cash flows for the year ended 31 December 2021 in accordance with Czech accounting legislation.

What we have audited

The Company's financial statements comprise:

- the balance sheet as at 31 December 2021,
- the profit and loss account for the year ended 31 December 2021,
- the statement of changes in equity for the year ended 31 December 2021,
- the cash flow statement for the year ended 31 December 2021, and
- the notes to the financial statements including significant accounting policies and other explanatory information.

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 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 Company 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.

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 annual report but does not include the financial statements and auditor's report thereon.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge about the Company obtained in the audit or otherwise appears to be materially

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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 financial statements is, in all material respects, consistent with the 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 Company 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.

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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 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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.

- conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the notes, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

31 March 2022

PricewaterhouseCoopers Audit, s.r.o.
represented by Partner



Jifi Zouhar
Statutory Auditor, Licence No. 2542