Prague Airport

LETIŠTĚ PRAHA, A. S.

2021

CONSOLIDATED ANNUAL REPORT

Foreword by the Chairman of the Board of Directors

Ladies and Gentlemen, Dear Friends,

The Prague Airport Group 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 by the worldwide situation. Although the first quarter was severe in terms of the number of passengers handled, the interest in travel, predominantly among Czech 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 operations management, as we achieved a slightly positive result and stopped deepening our Group's debt.

The partial recovery in air traffic and the relaxation of 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 made special 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 employees 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 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.

Lastly, but by no means 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 Prague Airport 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.

Last year had our subsidiary Czech Airlines Handling face many trying challenges due to the continued Covid-19 pandemic. Despite that, the company managed to win new customers, including Finnair and EgyptAir carriers. On 1 November 2021, the German carrier Eurowings, which is a long-term customer, launched operations of its base in Prague, housing two Airbus 319 aircraft. The cargo handling segment also continued to grow, which is a trend we have been noticing since the beginning of the pandemic. Czech Airlines Handling succeeded in the tender for the use of airport infrastructure and storage of aviation fuel, on the basis of which the company's license was extended. In addition, a new aircraft refuelling agreement with ÖMV was concluded. Quality and safety are the basis of the company's work, which has long been confirmed by the international certification for ground operations, ISAGO, which Czech Airlines Handling holds and was reassigned in 2021.

In the first part of the year, the Czech Airlines Technics subsidiary faced job order shortage, which strongly affected the setup of the entire company. However, thanks to the recently launched aircraft parking service, the company managed to successfully establish cooperation with leasing companies, both in the segment of aircraft landing gear set overhauls and base maintenance. Thanks to that, the company was able to utilize fully all its capacities in the second part of the year. The same trend prevailed in the main maintenance season, in which Czech Airlines Technics continued to perform job orders for contractual partners across all segments. The company also extended its base maintenance authorisations to include the Boeing 737MAX and the Airbus 320Neo aircraft types, getting new job orders, and concluded a new long-term agreement with Austrian Airlines. The company completed a total of 33 landing gear set overhauls, which is the highest number of jobs in its entire history. In the line maintenance segment, the company entered into an agreement on the provision of comprehensive support for the new base carrier Eurowings. Czech Airlines Technics also implemented new Safety & Quality software as part of the digitization process, which will continue to be developed next year.

The year 2021 was a little happier, but still not easy for Prague Airport. 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 the expected 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

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

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

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

Legal Status of the Company

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

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

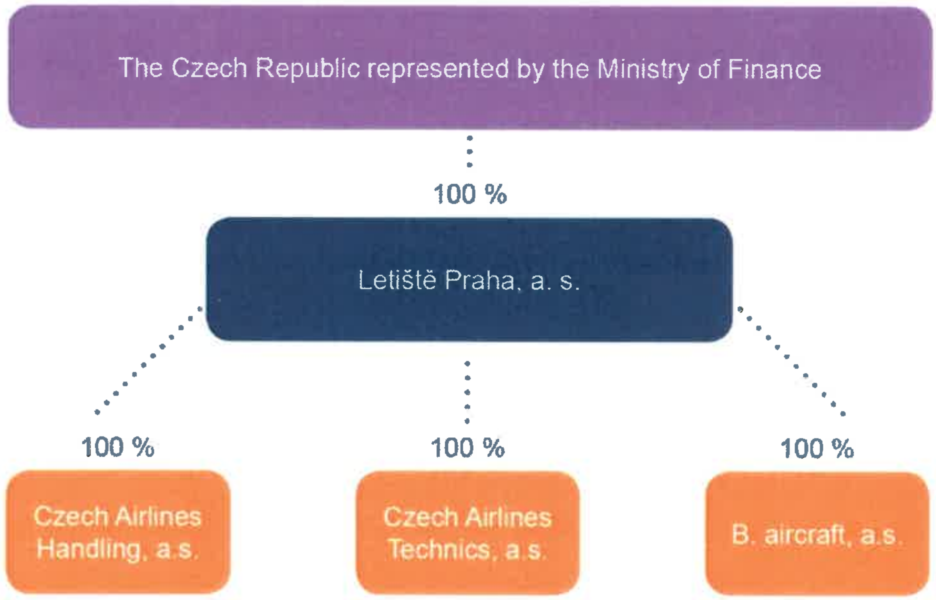
Letiště Praha, a. s., has neither a branch nor another part of its business enterprise abroad.

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

Letiště Praha, a. s., did not acquire its own shares in the year 2021.

The information about the use of financial derivatives and about goals and methods of risk management is provided in the Notes to the Consolidated Financial Statements for the year ended on 31 December 2021 that constitute an Annex to this Consolidated Annual Report.

Shareholding Structure of the Prague Airport Group as at 31 December 2021



As at 31 December 2021, Letiště Praha, a. s., owned 100% of shares of the companies B, aircraft, a.s., Czech Airlines Handling, a.s., and Czech Airlines Technics, a.s.

Letiště Praha, a. s.

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.

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

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

Letiště Praha, a. s., provides to its subsidiaries shared services, namely IT services, joint procurement, human resources management, accounting and legal services, financial services and PR and marketing services. Thanks to this centralization of administrative services, the subsidiaries can fully concentrate on their core business.

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

B. aircraft, a.s.

In 2021, the business of the Company was driven mainly by activities related to the earlier leasing of the Airbus A319 aircraft to České aerolinie a.s. and to the subsequent sale of the aircraft.

Czech Airlines Handling, a.s.

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

In 2021, the Company maintained high standards of services provided in the field of passenger and aircraft handling as proven by the results of individual airline audits on the one hand and by the expansion of its client portfolio, namely by Bees Airline, EgyptAir, Finnair, Fly Armenia, and Lumiwings airlines on the other. Another significant event was the launch of operations of the Václav Havel Airport Prague base by the German carrier Eurowings, a long-term Company customer in the area of handling, at the beginning of November 2021.

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

Aircraft refuelling services is an important area of business of the Company. In 2021, Czech Airlines Handling maintained its strategic fuel trade partnership with PKN Orlen. České aerolinie a.s. (hereinafter referred to as "Czech Airlines"), Smartwings, a.s., easyJet, Korean Air, LOT Polish Airlines, the IAG Group (British Airways, Aer Lingus, Iberia, and Volotea) and others are among the key Czech Airlines Handling aircraft refuelling customers.

The Company also operates a Contact Centre which provides its services to Korean Air.

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

Czech Airlines Technics, a.s.

Czech Airlines Technics, a.s. (hereinafter referred to as "Czech Airlines Technics" or "the Company"), provides aircraft and aircraft components maintenance. Czech Airlines Technics is an independent company providing its services at an international level, taking pride in its 90 years' experience, the high-quality services and work with an emphasis on strict compliance with safety standards, adherence to deadlines upon the provision of aircraft and aircraft components maintenance, and a flexible approach to clients.

Throughout the course of 2021, the Company performed approximately 100 large-scale inspections on Boeing 737, Airbus A320 Family, and ATR aircraft. Hangar F operations are performed using five standard base maintenance lines, with line six reserved for minor maintenance work.

In 2021, Finnair, Transavia Airlines, Austrian Airlines, Smartwings, a.s., NEOS and others were among the main Company clients. The Company also performed overhauls for new clients, namely LOT Polish Airlines, Novair, Air Corsica, and several leasing companies. Under this division, the Company also offers various modifications and service bulletins, structural repairs, engine exchanges, and exchanges and repairs of landing gear and other aircraft components.

The Company performs the largest share of its Line Maintenance work at Václav Havel Airport Prague, where it is the largest provider within the segment. Hangar S is dedicated to Line Maintenance. The division was, again, affected the most by the 2021 decline in air traffic caused by the worldwide COVID-19 pandemic. In 2021, Eurowings, Finnair, Turkish Airlines, EL AL, KLM Royal Dutch Airlines, Air France, LOT Polish Airlines, ASL Belgium, EasyJet, and Hainan Airlines were the Company's main Line Maintenance clients.

The Company is able to respond to the demanding customer requirements connected with sales of aircraft consumables in a flexible manner, thanks to the established network of suppliers and direct access to manufacturers, the amount of stored inventory and already established logistics support. The Company also runs its E-Commerce portal, allowing customers of this division easy access while ordering spare and promoting more efficient and faster order processing. JOB AIR Technic, Aerostar, Romaero and others are among the clients of this division.

As part of the Continuing Airworthiness Management Organisation (CAMO) services, the Company performs activities for aircraft operators vital to ensure the airworthiness of their aircraft. These include the drafting of aircraft and aircraft equipment maintenance programmes and task cards to plan and follow-up aircraft and aircraft equipment maintenance, keeping records of maintenance performed and aircraft modifications carried out, the monitoring of aircraft engine statuses, the drafting of aircraft loading and weight balancing documentation and guidelines, and other activities. České aerolinie a.s. (hereinafter referred to as "Czech Airlines"), GLOMEX and several leasing companies were the main CAMO Support customers of the Company in 2021.

In the Landing Gear Maintenance area, the Company specialises in landing gear overhauls of Boeing 737 aircraft of the new generation and performs repairs, modifications and surface treatment to individual components. In 2021, the Company successfully performed a number of landing gear maintenance projects, including overhauls, minor repairs and inspections of landing gear and landing gear components, for companies such as KLM Royal Dutch Airlines, Transavia Airlines, Transavia France, Smartwings, a.s., and others. In 2021, the Company expanded this division's customer portfolio adding new clients, namely TAROM, AMAC Aerospace, LOT Polish Airlines, the World Star Aviation and BBAM leasing companies. The Company records an annual average capacity of 33 landing gear overhaul with a short turnaround time. Towards the end of 2021, a new spare landing gear set for Boeing 737-800 aircraft type was procured. The Company now owns seven spare landing gear sets, which it leases to its clients to be used during the time of their landing gear set overhaul performance.

The Company offers its maintenance and parking services to its long-term customers as well as new customers comprising airlines and aircraft leasing companies. Alongside Václav Havel Airport Prague, the seat of the headquarters and the location of the hangar technical facilities of Czech Airlines Technics, Košice, Ostrava, Karlovy Vary and Brno airports are included in the offer. The Company provides the service directly to aircraft manufacturers, too. A package deal combining aircraft parking options with the provision of first-class comprehensive maintenance represents a significant competitive advantage.

Regular technical checks, including landing-gear, various modifications, spare part replacements and other related tasks can be done during the parking period. In 2021, the aircraft storage service was provided mainly for narrow-body aircraft. Finnair and Transavia Airlines, long-term customers of the Base Maintenance division, were among the customers using the service, alongside several leasing companies.

2. Company Management and Governance

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 oni 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, the Prague Airport Group companies employed a total of 3,339 employees. In 2021, the average recalculated number of the Group's employees equalled 3,321.5 employees. In 2021, the Prague Airport Group thus operated with approximately 15% lower employee capacity than in the previous year, when due to the effects of the Covid-19 pandemic, all Group companies had already decreased the number of full time and part-time employees by 20% (Y/Y), including workers under other than employment agreements.

Following a dramatic decline in the number of passengers handled in 2020, there was a growth-jump during the 2021 summer season, with atypical tendencies until the year end. Prague Airport had to handle all passengers without any impact on the quality of the services provided despite the reduced number of employees. Although Prague Airport has a Collective Agreement concluded until the end of 2023, an extraordinary collective negotiation took place at the end of 2021, with the main goal of retaining and motivating qualified employees. The result of the collective negotiation was a temporary amendment to the Collective Agreement made at the end of the year, which comprised an increase in weekend work bonuses, a one-off contribution to the Cafeteria programme in 2021, and an increase in the Cafeteria programme contribution in 2022.

The Prague Airport Group has long been systematically developing the professional side, expertise, and skills of its employees through an internal vocational training system. In 2021, the trend of prioritising online rather than in-house forms of training continued with the goal of providing, in particular, all legal and professional training for employees in the operational sector. The area of customer orientation remained an exception. The temporary 2021 traffic slowdown was used as an opportunity for specialised interactive training of employees in customer services, focusing on passengers with disabilities, intercultural differences, and conflict prevention / resolution. Even though the in-house form of this training placed increased demands on implementation, the feedback and results of the whole process confirm that it was a step in the right direction. In addition, throughout the year, testing of selected employees' digital skills was performed at all management levels. Based on the results, a training programme aimed at strengthening the digital skills of all employees was drafted. The programme will be launched in early 2022 and will complement the already implemented "Digital Employee" project. The continued partnership with foreign airports also took an online form. The Prague Airport Group focuses on the development of talented employees through the Talent Pool Programme, which was successfully completed by 11 graduates in 2021.

In 2021, as part of the activities aimed at increasing the level of occupational safety, the system of monitoring close calls (near-accidents) was included in the portfolio of occupational health and safety preventive measures. Based on information on technical defects from operation, the system enables early identification of critical points within the occupational health and safety system, thus preventing work-related injuries and increasing the health and safety of Prague Airport employees.

In 2021, based on positive feedback from employees and participating organisations, company volunteer days continued as one of the activities under the comprehensive strategy of sustainable and responsible business.

4. Selected 2021 Events and 2022 Outlook

2021 Main Events

The Prague Airport Group 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.

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.

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.

Next, we list a brief summary of other key events for the Prague Airport Group in 2021:

January

- 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.
- Czech Airlines Handling wins a tender seeking the provider of manual baggage scanning at Václav Havel Airport Prague.
- The Company enters into Line Maintenance and CAMO Support Agreements with Czech Airlines regarding five ATR aircraft with effect as of August 2021.
- The Company enters into an Aircraft Landing Gear Overhaul Agreement with TAROM spanning the next four years.
- The Company obtains a new Part-CAMO authorisation covering Airbus A320 Family, Boeing 737 NG, and ATR 42/72 aircraft.

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.
- 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.

- Czech Airlines Technics enters into a Base Maintenance Agreement with Novair.
- Czech Airlines Technics sells a significant amount of its receivables from Czech Airlines, which went bankrupt.

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.
- Czech Airlines Technics extends its Base Maintenance division authorisation portfolio with Boeing 737 MAX, and Airbus A320Neo aircraft types.
- Czech Airlines Technics enters into an Aircraft Long-term Storage Agreement with the SMBC leasing company.
- Czech Airlines Technics wins a Consumables Sales tender and enters into a Service Agreement with the Ministry of Defence of the Czech Republic spanning the next four years.

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.
- Czech Airlines Handling enters into a Ticketing Service Agreement with Turkish Airlines and starts providing the service from 1 April 2021.
- Czech Airlines Technics enters into a Base Maintenance Agreement with LOT Polish Airlines.
- The Company enters into a Base Maintenance Agreement with the Ministry of Interior of the Slovak Republic.
- Czech Airlines Technics enters into an Aircraft Landing Gear Overhaul Agreement with LOT Polish Airlines.
- Czech Airlines Technics enters into two agreements with the ASL Holding leasing company, namely an Aircraft Long-term Storage Agreement, and a CAMO Support Agreement.

May

- 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.
- Czech Airlines Technics enters into an Aircraft Long-term Storage Agreement with the BBAM leasing company.
- Czech Airlines Technics enters into an Aircraft Landing Gear Overhaul Agreement with the BBAM leasing company.
- Czech Airlines Technics enters into a CAMO Support Agreement with the FTAI leasing company.

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 ss2021 winter schedule.

- 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.
- Czech Airlines Handling enters into a Handling Agreement with EgyptAir, which operates regular flights from/to Hurghada using Airbus A220-300 aircraft.
- Czech Airlines Technics enters into a Base Maintenance Agreement with the BBAM leasing company.
- Czech Airlines Technics enters into an Aircraft Landing Gear Overhaul Agreement with AMAC Aerospace.
- Czech Airlines Technics enters into a Base Maintenance Agreement with the Government Squadron of Armenia.

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.
- Czech Airlines Handling launches operation of Čedok travel agency sales points at Terminal 1 and 2 departure hall ticketing counters, expanding its service portfolio with the new Čedok product called BUY & FLY.
- Czech Airlines Handling buys several new mechanisation means for commercial aircraft handling, namely two new small Charlatte T135 EVO electric tractors, two electric Charlatte CBL-150E beltloaders, two GPU Guinault GA-90 starting units, and two towed ZODIAC CDS 2438E passenger stairs with solar panels. Thanks to the new technology equipped with alternative propulsion systems, Czech Airlines Handling reduces the noise burden and the negative impact on its surroundings, promoting sustainability trends within the handling process.
- Czech Airlines Handling undergoes the ISAGO ground handling certification audit.
- Czech Airlines Technics enters into an Aircraft Landing Gear Overhaul Agreement with Ukraine International Airlines.
- Czech Airlines Technics enters into a Line Maintenance Agreement with Luke Air.

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.
- Czech Airlines Technics enters into an Aircraft Landing Gear Overhaul Agreement with the Aviation Global Capital leasing company.
- Czech Airlines Technics enters into a Line Maintenance Agreement with Maleth Aero.

- Czech Airlines Technics enters into an Aircraft Landing Gear Overhaul Agreement with the Corendon company.
- Czech Airlines Technics enters into an Aircraft Long-term Storage Agreement with the CDB Aviation leasing company.
- Czech Airlines Technics enters into a Line Maintenance Agreement with the Arkia air carrier.

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.
- Czech Airlines Technics enters into a Long-term Base Maintenance Agreement with Austrian Airlines.
- Czech Airlines Technics attends the MRO Russia & CIS Trade Fair and Conference.

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.
- Effective 1 October 2021, Czech Airlines Handling provides complex ground handling services to Finnair based on its successful tender results.
- Ukraine carrier Bees Airline is the next customer to enter into a Handling Agreement with Czech Airlines Handling, following the carrier's launch of Odessa, and Lviv routes.
- At the turn of October to November 2021, Lufthansa subsidiary Eurowings launches operations of its Prague base with the departures of Airbus A319 to Bristol, and Airbus A320 to Fuerteventura, both handled by Czech Airlines Handling. Eurowings thus becomes the next based carrier in Prague using the services of Czech Airlines Handling.
- Czech Airlines Technics enters into a Line Maintenance Agreement with Bees Airline.
- Czech Airlines Technics enters into a Base Maintenance Agreement with the CDB Aviation leasing company.
- The first EMS supervisory audit is performed in Czech Airlines Technics with a positive result.
- Czech Airlines Technics becomes a member of the Aerospace and Defence Chromates Reauthorisation Consortium (ADCR).

November

- 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.
- Czech Airlines Technics successfully renews its Aviation Insurance Agreement.
- Czech Airlines Technics finalises its investment in new Safety & Quality software.
- Czech Airlines Technics enters into a Line Maintenance Agreement with Eurowings.

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.
- Czech Airlines Handling wins a tender called by Pegasus Airlines on the provision of ground handling services.
- Czech Airlines Handling signs an Aircraft Refuelling Agreement with El Al Israel Airlines.
- Czech Airlines Technics invests in a new spare landing gear set for Boeing 737NG aircraft type within its Aircraft Landing Gear Overhaul division.
- Czech Airlines Technics enters into an Aircraft Landing Gear Overhaul Agreement with Jet Aviation.
- Czech Airlines Technics extends its CAMO Support Agreement with GLOMEX for the next six months.
- Czech Airlines Technics enters into an Aircraft Landing Gear Overhaul Agreement with Norwegian Air Shuttle.

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.
- A new Collective Agreement is signed with the representatives of individual Union representatives for the following year.
- Czech Airlines Handling becomes a new OMV Czech Republic refuelling agent and thanks to the co-operation will provide aircraft refuelling services to carriers such as Air France – KLM, effective February 2022.
- Czech Airlines Technics enters into a Base Maintenance Agreement with Air Corsica.
- Czech Airlines Technics extends its Part-CAMO authorisation with Boeing 737 MAX aircraft type.
- Czech Airlines Technics responds to the trends connected with the COVID-19 virus spread, continuously monitoring and evaluating the situation at hand.

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.
- 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.
- Czech Airlines Handling becomes the new aircraft refuelling provider for Qatar Airways and Turkish Airlines.
- Czech Airlines Handling agrees a deal on prolongation of the current cooperation with PKN Orlen and will thus provide aircraft refuelling services in the following years.
- Czech Airlines Technics intensively deals with the agenda of unpaid claims from Czech Airlines.

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.
- Aeroflot confirms that it suspends its activities in the Czech Republic.
- The sole shareholder in the capacity of the General Meeting of Prague Airport approves the Financial Plan for 2022 and the investment plan for 2022-2023.
- Based on the feedback given by passengers, Prague Airport is awarded the Airport Service Quality Award for 2021. This Award is given each year to the best airports with a proven track record of excellence in customer satisfaction by Airports Council International. Prague Airport has been awarded for the fourth time in a row in the category of European airport with the capacity of 15 to 25 million passengers a year.

April

- As of 1 May 2022, the sole shareholder acting in the capacity of the General Meeting of Letiště Praha, a. s., elected Ing. Pavel Východský to the Board of Directors of the Company.
- Prague Airport marks the 85th anniversary that was commemorated by a number of events and activities, including a special webpage www.letisteslavi85.cz

May

- In a collection organized within the companies of the Group, the amount of CZK 867,573 was raised to help war-torn Ukraine. The amount will be matched by the Company and thus, the humanitarian organization Člověk v tísni will receive CZK 1,735,146.
- Starting on May 1, SunExpress relaunches its service from Prague to the popular tourist destination of Antalya in Turkey. SunExpress is expected to operate direct flights up to three times a week throughout the summer season.
- FlyArystan, a Kazakh low-cost carrier, announces in May that it is going to launch a direct service from Prague to Aktau in Kazakhstan starting from June 12.

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

More detailed information about the Prague Airport Group´s performance and economic position is provided in the appendices to this Consolidated Annual Report, in particular in the Consolidated Financial Statements.

2022 Outlook

The first weeks of 2022 were marked by the impact of the new coronavirus variant Omicron, triggering a drop in air travel demand. As a result, Prague Airport handled about 30 % fewer passengers than planned in January 2022. However, thanks to a better epidemic situation, a gradual return of demand occurred in the following months. Following the lifting of air travel restrictions at the end of March, there is a quite marked increase in the demand for air travel, especially driven by the Czech citizens who travel abroad on their holidays.

However, 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 %. The drop in revenues for Czech Airlines Handling, a.s., is estimated at about 5 % of the total planned revenues in 2022.

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 exceeding the planned values. 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. 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 management of the Group 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 Group 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 Group 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.

For the companies within the Prague Airport Group, especially for Letiště Praha, a. s., and Czech Airlines Handling, a.s., the hiring of necessary new staff to deal with the current increase in operations and the expected performance in the summer months will pose the main challenge. That is why the Group management intensively focuses on the hiring process and activities and to the motivation of the current staff in order to cope with the upcoming demanding season.

Other goals of Letiště Praha, a. s., in 2022 include:

- 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

In 2022, the aim of Czech Airlines Handling is to maintain the high quality of services provided and to ensure existing customers remain in its client portfolio. The Company will strive to acquire new customers who launch their flights to Prague. The economic situation remains uncertain, and the effects of the COVID-19 pandemic on the Company's 2022 financial results are difficult to predict. Therefore, the Board of Directors is closely monitoring the situation and is ready, based on due consultations with the Supervisory Board and the shareholder, to implement additional austerity measures with a significant impact on the Company's current operating and organisational structure in the event of an unfavourable turn of trends.

In 2022, Czech Airlines Technics will continue to focus on its main areas of expertise and job performance pursuant to existing contracts. As before, it will seek to expand external client services and both secure additional job orders from existing clients and enter into new agreements. Due to the stabilised, increased Base Maintenance and Landing Gear Maintenance capacity, Czech Airlines Technics will focus on process optimisation and efficient job performance.

B. aircraft expects to have balanced results in 2022. In addition, as a result of the finalisation of the sale of all the assets owned by the Company, it is expected that its business activities will be gradually reduced. In 2022, the Company's activities will focus on the management of assets remaining after the sale of aircraft in 2020, in particular on the management of receivables and mutual relations with the parent company, Letiště Praha, a. s. Any other potential steps will result from a shareholder's decision in this matter.

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 Consolidated Annual Report

The Board of Directors declares that the information included in the Consolidated Annual Report for 2021 corresponds to the real situation and gives a true and fair view of the financial position, financial performance and cash flow of the companies associated in the Prague Airport Group for the previous accounting period and that no fundamental circumstances, in combination with the Consolidated Financial Statements that make an integral part of this Consolidated Annual Report, were omitted that might affect the precise and correct assessment of the performance, activities and economic position of the Prague Airport Group.

In Prague on 31 May 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

- Consolidated Financial Statements of Letiště Praha, a. s., for the Year Ended on 31 December 2021 according to International Financial Reporting Standards as Adopted by the European Union
  - Consolidated Profit or Loss Account for the Year Ended on 31 December 2021
  - Consolidated Statement on Comprehensive Income for the Year Ended on 31 December 2021
  - Consolidated Balance Sheet as at 31 December 2021
  - Consolidated Statement of Changes in Equity for the Year Ended on 31 December 2021
  - Consolidated Cash-Flow Statement for the Year Ended on 31 December 2021
  - Notes to the Consolidated Financial Statements for the Year Ended on 31 December 2021
- Independent Auditor's Report to the Shareholder of Letiště Praha, a. s.

Consolidated Financial Statements for the Year Ended 31 December 2021 prepared in Accordance with International Financial Reporting Standards as adopted by the European Union

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	2021 CZK'000	2020 CZK'000
Continuing operations			
Revenues	3	4,760,187	5,119,272
Raw material, merchandise and energy	4	(1,115,920)	(961,884)
Repairs and maintenance services	5	(182,784)	(234,095)
Other services	6	(600,887)	(605,365)
Employee benefits	7	(2,650,402)	(3,074,489)
Depreciation and amortisation	14,15,16	(1,575,095)	(1,662,272)
Net expected credit reversals / (losses) on financial and contract assets	30	49,025	(204,631)
Other operating income	9	253,496	267,844
Other operating expenses	10	(280,825)	(949,843)
Foreign exchange differences		(24,200)	(9,089)
Operating loss		**(1,367,405)**	**(2,314,552)**
Interest income and other financial income	11	350	16,563
Interest and other financial expenses	11	(14,917)	(8,799)
Loss before tax		**(1,381,972)**	(2,306,788)
Income tax benefit	12	228,488	368,521
Loss for the year from continuing operations		**(1,153,484)**	**(1,938,267)**
Discontinued operations			
Profit / (Loss) from discontinued operations	13	57,715	(356,387)
LOSS FOR THE YEAR		**(1,095,769)**	**(2,294,654)**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	2021 CZK'000	2020 CZK'000
LOSS FOR THE YEAR		**(1,095,769)**	**(2,294,654)**
Other comprehensive income / (loss)			
Items subsequently included in the profit or loss			
Gains / (losses) on cash flow hedges		38,279	(5,115)
Gains / (losses) from cost of hedging		(4,598)	5,056
Hedging gains / (losses) reclassified to profit or loss		242	(7,500)
Income tax related to cash flow hedging	12	(6,445)	1,436
Items not subsequently included in the profit or loss			
Changes in the fair value of equity investments whose fair value is included in other comprehensive income		71	(156)
Other comprehensive income / (loss) for the year, net of tax		**27,549**	**(6,279)**
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(1,068,220)**	**(2,300,933)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2021 CZK'000	As at 31 December 2020 CZK'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	32,484,582	32,730,859
Investment properties	15	1,985,010	1,954,424
Lease assets	23	249,166	256,262
Financial assets at fair value included in other comprehensive income		2,783	2,712
Intangible assets	16	334,356	328,140
Goodwill	16	11,084	11,084
Long-term receivables		32,815	30,196
Deferred tax asset	12	174,941	42,262
		35,274,737	35,355,939
Current assets			
Inventories	17	319,426	304,142
Trade and other receivables	18	1,048,706	570,545
Prepayments and other current assets	19	71,445	39,789
Income tax asset	12	27,271	41,071
Cash and cash equivalents	20	100,414	106,673
		1,567,262	1,062,220
TOTAL ASSETS		**36,841,999**	**36,418,159**
EQUITY AND LIABILITIES			
Shareholder's equity			
Issued capital	21	27,031,564	27,031,564
Other reserves	21	48,953	21,404
Retained earnings		5,785,524	6,881,293
Total equity		**32,866,041**	**33,934,261**
Non-current liabilities			
Trade and other payables	24	228,463	230,163
Interest-bearing loans and borrowings	22	900,442	-
Provisions	25	100,505	121,019
Employee benefits liability	26	21,872	23,368
Non-current portion of lease liabilities	23	243,656	250,171
Deferred tax liability	12	-	78,451
		1,494,938	703,172
Current liabilities			
Trade and other payables	24	1,442,417	1,482,621
Interest-bearing loans and borrowings	22	973,909	237,232
Provisions	25	54,384	48,787
Current portion of lease liabilities	23	10,310	12,086
		2,481,020	1,780,726
Total liabilities		**3,975,958**	**2,483,898**
TOTAL EQUITY AND LIABILITIES		**36,841,999**	**36,418,159**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued capital CZK'000	Other reserves *) CZK'000	Retained earnings CZK'000	Total equity CZK'000
As at 1 January 2020	**2,512,227**	**24,547,020**	**9,175,947**	**36,235,194**
Total comprehensive loss	**-**	**(6,279)**	**(2,294,654)**	**(2,300,933)**
Loss for the year	-	-	(2,294,654)	(2,294,654)
Other comprehensive loss	-	(6,279)	-	(6,279)
Transactions with owner	**24,519,337**	**(24,519,337)**	**-**	**-**
Transfers	24,519,337	(24,519,337)	-	-
As at 31 December 2020	**27,031,564**	**21,404**	**6,881,293**	**33,934,261**
Total comprehensive income / (loss)	**-**	**27,549**	**(1,095,769)**	**(1,068,220)**
Loss for the year	-	-	(1,095,769)	(1,095,769)
Other comprehensive income	-	27,549	-	27,549
As at 31 December 2021	**27,031,564**	**48,953**	**5,785,524**	**32,866,041**

*) For more information see Note 21

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2021 CZK'000	2020 CZK'000
Operating activities			
Loss before tax		(1,324,257)	(2,667,051)
Non-cash transactions and adjustments for non-operating activities:			
Depreciation and amortisation	14,15,16	1,575,095	1,781,831
Impairment	8,10,30	14,614	34,296
Net interest costs and income	11	12,370	(9,073)
Change in provisions	25	(14,918)	(40,402)
(Gain) / loss on disposal of non-current assets	9,13	(55,770)	246,506
Other non-cash charges, net		13,045	1,433
Working capital adjustments:			
(Increase) / decrease in trade and other receivables	18	(444,794)	920,181
(Increase) / decrease in inventories	17	(15,285)	60,905
Increase / (decrease) in trade and other payables	24,26	40,899	(227,897)
Increase in other assets	19	(31,656)	(4,352)
Income tax received	12	24,713	11,574
Net cash flows from operating activities		**(205,944)**	**107,951**
Investing activities			
Proceeds from the sale of property, plant, equipment and aircraft	9	83,144	611,044
Acquisition of non-current assets	14,15,16	(1,497,421)	(2,739,583)
Interest received	11	184	16,420
Net cash flows from investing activities		**(1,414,093)**	**(2,112,119)**
Financing activities			
Interest paid	22	(12,275)	(7,347)
Payment of lease liabilities	22,23	(10,778)	(1,396,928)
Proceeds form bank loans	22	1,636,678	237,232
Repayments of bank loans and bonds	22	-	(241,460)
Dividends incl. withholding tax		-	(248,668)
Net cash flows from financing activities		**1,613,625**	**(1,657,171)**
Net decrease in cash and cash equivalents	20	**(6,412)**	**(3,661,339)**
Cash and cash equivalents as at 1 January	20	106,835	3,768,174
Cash and cash equivalents as at 31 December	20	**100,423**	**106,835**

1. Corporate information

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

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

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

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

The Group is involved mainly in the following activities:

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

The companies included in the consolidated financial statement in 2021 and 2020:

		2021		2020	
Company	Acquisition date	Share in equity	Consolidation method	Share in equity	Consolidation method
Letiště Praha, a. s.		consolidating company			
Czech Airlines Handling, a.s.	26 October 2011	100 %	full	100 %	full
Czech Airlines Technics, a.s.	13 April 2012	100 %	full	100 %	full
B. aircraft, a.s.	31 August 2012	100 %	full	100 %	full

2. Basis for preparation

These consolidated financial statements ("the financial statements") have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") for the year ended 31 December 2021. The financial statements have been prepared under historical cost conventions. The exceptions are mentioned further in the corresponding notes.

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

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

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

The existence of the novel coronavirus causing the Covid-19 disease was confirmed in early 2020 and has spread globally. The pandemic and especially the restrictive measures taken in order to mitigate the health impacts have caused disruptions to businesses and economic activities and have affected the Group's operations in the year ending 31 December 2021 and 31 December 2020.

2. Basis for preparation (continued)

The Group has prepared a recovery plan to create a strong platform for future profitability and to preserve as many jobs as possible. As a result of COVID-19, the Group has taken a number of measures during 2021 and 2020, including:

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

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

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.

Impact of the significant uncommon items due to Covid-19 on the consolidated statement of profit or loss in 2021 and 2020 (expenses and losses are negative, revenues and gains are positive):

CZK'000	Note	Description	2021	2020
Incentive Scheme Traffic Recovery After the Covid-19 – Revenues from contracts with customers	3	Effective 1 January 2021, a new Incentive Scheme Traffic Recovery After the Covid-19 Crisis is applied for existing carriers in order to support the fastest possible return to pre-crisis volumes of scheduled and non-scheduled passenger traffic to/from Václav Havel Airport Prague. The incentive is recognised as decrease of the revenues from contracts with customers.	(9,907)	-
Rent reduction – Other operating expenses	3,10,27	The Group provided price reliefs to tenants due to the restriction of their business at the airport. In connection with Covid-19, the amendments to the rent agreements with new terms and conditions were also concluded.	(116,371)	(693,577)
Additional Covid-19 expenses		In connection with Covid-19, additional expenses incurred, especially for respirators, masks, gloves, disinfections, tests, business and legal consultancy services, leaflets and stickers, etc.	(8,864)	(14,274)
Severance payment – Employee benefits	7	In 2021 and 2020 the workforce was reduced by 71 and 622 headcounts due to Covid-19. The severance was recognised in expenses mainly in 2020 (the employees laid off in 2021 in the form of the provision).	(257)	(148,269)
Antivirus government programme – Other operating income	9	The Government of the Czech Republic approved a government subvention to staff costs with the intention to mitigate the negative impact of global spread of Covid-19.	33,746	120,158
Covid – Uncovered Costs and Covid 2021 subvention programme – Other operating income	9	The Ministry of Industry and Trade in the Czech Republic approved the subvention programmes to mitigate the negative effects of the sharp decline in sales and to provide financial support to ensure liquidity in response to the Covid-19.	100,365	-
Impairment of non-current assets	8.2, 10	Covid-19 was assessed as the indicator of non-current assets impairment.	-	(45,196)
Write-down of inventory	10	Covid-19 affected valuation and saleability of inventory connected to the aircraft maintenance and overhauls.	-	(33,847)
Provision for expected credit losses	30	The release of the provision for expected credit losses in 2021 relates to the assignment of the receivables and recovery of claims. The increase of the provision for expected credit losses in 2020 is mainly influenced by the Covid-19 impact on the aviation and travel industry.	46,023	(206,143)

2. Basis for preparation (continued)

CZK'000	Note	Description	2021	2020
Penalisation – Other operating income	9	In connection with the cancellation of orders in the area of aircraft maintenance and overhaul a contractual penalty was charged to the customer.	-	11,984
Deferred income tax asset-Income tax benefit	12	The decrease of the deferred income tax expense is mainly influenced by the tax loss incurrence and interruption of the tax depreciation of the fixed assets.	239,693	391,656
Discontinued operations - aircraft sale price decrease	13	In connection with Covid-19 due to the aircraft value decrease, the aircraft sale price was reduced.	-	(280,024)
Discontinued operations – provision for expected credit losses	13	The release of the provision for expected credit losses in 2021 relates to the assignment of the receivables. The increase of the provision for expected credit losses in 2020 is mainly influenced by the Covid-19 impact on the aviation and travel industry.	50,272	(52,474)
Discontinued operations – additional Covid-19 expenses	13	In connection with discontinued operation the additional Covid-19 expenses incurred, especially for aircraft inspections.	-	(27,093)

2.1 Adoption of new or revised standards and interpretations

a) Standards and Interpretations effective in the current period

The following amended standards became effective for the Group from 1 January 2021, but did not have any impact on the Group:

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

Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021).

b) New accounting standards

Certain new standards and interpretations effective from 1 January or later have been issued for the annual periods beginning on or after 1 January 2022:

Classification of liabilities as current or non-current – Amendments to IAS 1 and deferral of effective date (issued on 23 January 2020, and 15 July 2020 respectively), effective for annual periods beginning on or after 1 January 2023). These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. The right to defer only exists if the entity complies with any relevant conditions as of the end of the reporting period.

2. Basis for preparation (continued)

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

b) New accounting standards (continued)

A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument. The European Union has not yet endorsed the amendments.

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

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

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

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

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

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

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

2. Basis for preparation (continued)

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

b) New accounting standards (continued)

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

Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates. The European Union has not yet endorsed the amendments.

Covid-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 31 March 2021 and effective for annual periods beginning on or after 1 April 2021). In May 2020, an amendment to IFRS 16 was issued that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19, resulting in a reduction in lease payments due on or before 30 June 2021, was a lease modification. An amendment issued on 31 March 2021 extended the date of the practical expedient from 30 June 2021 to 30 June 2022.

Deferred tax related to assets and liabilities arising from a single transaction – Amendment to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023). The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, entities are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations – transactions for which both an asset and a liability are recognised. The amendments clarify that the exemption does not apply and that entities are required to recognise deferred tax on such transactions. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The European Union has not yet endorsed the amendment.

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

2.2 Consolidation

a) Subsidiaries

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

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

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

2. Basis for preparation (continued)

2.2 Consolidation (continued)

a) Subsidiaries (continued)

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 as profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

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

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

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

b) Changes in ownership of shares

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

2.3 Critical accounting judgments, estimates and assumptions

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

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

Going concern assumption

As at 31 December 2021 and as at 31 December 2020, the current liabilities exceed the current assets. However, it does not represent any endangerment of the financial position or the going concern of the Group, as the Group has access to further external financing that exceeds the balance of current payables.

2. Basis for preparation (continued)

2.3 Critical accounting judgments, estimates and assumptions (continued)

Impairment of non-current assets

The forecast cash flows from the long-term plan is used in the determination of the value in use of cash generating units (CGUs) and pre-tax discount rate reflecting a market estimate of the weighted average cost of capital. There are uncertainties about future economic and market conditions, which will affect the assumptions in the long-term plan and the discount rate. It is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year and the discount rate that are different from the assumption could require an adjustment to the carrying amount of the non-current asset affected.

The assumption being a source of uncertainty resulting in a material adjustment to the carrying amount of the assets at the end of the reporting period is the volume of the work on the orders received in the financial plan of the cash-generating unit aircraft maintenance and overhauls. The carrying amount of the assets related to this cash-generating unit (non-current assets and inventories) is CZK 942,888 thousand. According to the sensitivity analysis, the decrease in the volume of work orders by 10% would impair assets by CZK 294,697 thousand (if the Group does not respond to this change with any measure). The assets would be also impaired if the pre-tax discount rate were increased by more than 1.1%.

For more details, see Note 8.

Investment property - classification

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

Write-down of inventories

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

Leases of land

The Group leases land, which is necessary for the airport operation and cannot be used for any other purpose by the owner, for an indefinite period of time.

IFRS 16 provides guidance for leases with an indefinite period of time. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. The Group has determined the lease term to be 30 years, for which the Group is reasonably certain not to exercise any termination options, and which represent the minimum expected time of the airport existence and therefore also the lease of land.

Income tax

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

2. Basis for preparation (continued)

2.4 Summary of significant accounting policies

a) Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

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

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

b) Goodwill

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

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

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

c) Customer relationships and other intangible assets

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

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

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

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

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

2. Basis for preparation (continued)

2.4 Summary of significant accounting policies (continued)

c) Customer relationships and other intangible assets (continued)

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

d) Property, plant and equipment and Investment properties

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

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

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

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

The fair values of the investment properties, which reflect market conditions as at the balance sheet date, are disclosed in Note 15. Transfer from or to investment property is made when and only when, there is a change in use, evidenced by commencement of owner-occupation, for a transfer from investment property to owner-occupied property or end of owner-occupation, for a transfer from owner-occupied property to investment property.

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

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

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

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

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

Rotables, with exception of slides, are depreciated over the expected useful life of the relevant aircraft to its expected residual value.

The estimated useful lives are as follows:

Category	Years
Constructions	20 – 50
Runways and taxiways	20 – 60
Machinery and equipment and rotables	4 – 20
Rotables - slides	25
Vehicles (other than aircraft)	4 – 20

2. Basis for preparation (continued)

2.4 Summary of significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

e) Leases

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

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

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

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

2. Basis for preparation (continued)

2.4 Summary of significant accounting policies (continued)

e) Leases (continued)

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

For more of the leasing of the land accounting policies see Note 2.3.

f) Derivative financial instruments and hedge accounting

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

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

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

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

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

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

When forward contracts are used to hedge forecast transactions, the group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item is recognised within other comprehensive income in the costs of hedging reserve within equity. In some cases, the entity may designate the full change in the fair value of the forward contract (including forward points) as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognised in the cash flow hedge reserve within equity.

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

g) Inventories

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

2. Basis for preparation (continued)

2.4 Summary of significant accounting policies (continued)

h) Trade receivables

Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value. See note 30 for a description of the Group's impairment policies.

i) Cash and cash equivalents

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

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

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

j) Interest-bearing borrowings and loans

Borrowings are initially recognised at the fair value of the consideration received, net of transaction costs incurred. After initial recognition, interest-bearing borrowings are subsequently measured at amortised cost. Any difference between proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the loans/borrowings using the effective interest rate method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some of all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

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

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use.

k) Bonds

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

l) Provisions

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

2. Basis for preparation (continued)

2.4 Summary of significant accounting policies (continued)

m) Employee benefits

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

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

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

n) Revenue recognition

Revenue from contracts with customers

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

Rental income

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

Government grants

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

Interest income

Interest income is recognised using the effective interest method.

o) Operating profit

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

p) Income tax

Current income tax

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

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

Deferred income tax

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

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

2. Basis for preparation (continued)

2.4 Summary of significant accounting policies (continued)

p) Income tax (continued)

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

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

q) Contingent liabilities

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

r) Related party transactions

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

s) Fair value of financial instruments

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

Cash and cash equivalents

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

Current receivables and payables

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

Derivative financial instruments

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

Long-term debt

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

2. Basis for preparation (continued)

2.4 Summary of significant accounting policies (continued)

s) Fair value of financial instruments (continued)

Fair value estimation

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

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

t) Subsequent Events

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

u) Emission allowances

The Group receives, free of charge, carbon emission allowances from the Ministry of the Environment. Initially the grant is recognized as an intangible asset at the fair value of allowance granted and it is not amortized. Subsequently the allowances are measured at cost, subject to review for impairment. The provision is recognised when emissions are produced. The provision is measured based on the carrying amount of allowances on hand at each period end to be used to cover actual emissions on a FIFO basis plus the market value of allowances at each period end that would be required to cover any excess emissions (i.e. actual emissions in excess of allowances on hand). On the face of the balance sheet, the carbon emission allowances are presented under the “other intangibles” position within the “intangible assets” position. The grant is recognized as profit on a systematic basis over the compliance period for which the allowances were issued.

v) Statement of cash flows

Interest paid are stated in the statement of cash flows in the financing activities and in the investing activities when they are capitalized to non-current assets. For more information, see Note 22, table Net debt reconciliation.

3. Revenue from contracts with customers and rental income

3.1 Disaggregation of revenue

The Group derives revenue in the following major categories:

CZK'000	2021	2020
Revenues from contracts with customers		
Aeronautical revenues		
Passenger fees	1,311,302	992,872
Plane fees	404,170	352,175
Other fees	82,694	63,805
Aircraft maintenance and overhauls	1,268,566	1,403,536
Handling, storage, aircraft fuelling and sale of fuel	298,930	228,333
Handling services	330,664	192,191
Total aeronautical revenues	3,696,326	3,232,912
Non-aeronautical revenues		
Energy and utilities	143,628	147,609
Non-aeronautical services to passengers	253,452	183,184
Other	127,745	197,228
Total non-aeronautical revenues	524,825	528,021
Total revenues from contracts with customers	4,221,151	3,760,933
Rental income		
Total rental income	539,036	1,358,339
Total revenue	**4,760,187**	**5,119,272**

Rental income and and related derecognition of lease receivables:

CZK'000	2021	2020
Rental income	539,036	1,358,339
Derecogition of lease receivables according to IFRS 9	(116,371)	(693,577)
Sum	**422,665**	**664,762**

The derecognition of lease receivables (rent reduction) is disclosed in the item Other operating expenses, see note 10.

3.2 Accounting policies and significant judgements

a) Revenue from contracts with customers

Aeronautical fees

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

- Passenger service charges – The Group collects from air carriers for every departing passenger charge for usage of Airport's resources and infrastructure together with so called PRM service charge (based on Regulation (EC) 1107/2006 of the European Parliament and of the Council) for services provided for passengers with reduced mobility. Revenues from passenger service charges are recognized at the time of departure.
- Landing charge – The Group charges air carrier for every airplane that lands on Václav Havel Airport Prague. The charge depends on the certified maximum takeoff weight (MTOW) of the airplane. Revenues from landing charge is recognized at the moment of landing.

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

3.2 Accounting policies and significant judgements (continued)

a) Revenue from contracts with customers (continued)

- Other airport charges – The Group also charges other fees for specific services connected to the usage of Airport's resources. These charges include mainly:
  - parking charges;
  - noise charges serving as regulation and factor supporting decrease of noise pollution;
  - use of check-in charges;
  - transfer of passengers from plane to terminal is charged through usage of buses or usage of loading bridge.

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

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

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

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

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

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

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

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

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

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

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

3.2 Accounting policies and significant judgements (continued)

a) Revenue from contracts with customers (continued)

Aircraft maintenance and overhauls

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

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

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

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

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

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

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

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

3.2 Accounting policies and significant judgements (continued)

a) Revenue from contracts with customers (continued)

Handling, storage, aircraft fueling and sale of fuel

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

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

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

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

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

Handling services

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

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

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

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

From October 2020 the Group provides handling services to Smartwings Group. The Group received the deposit that covers handling services for the period of 1 months and this amount is updated either monthly or based on the changes in the scope of the operation. Invoicing is done on weekly period with 7-workday maturity period. Services for flights of Czech Airlines, a.s. are paid on the basis of advance payments twice a month.

Energy and utilities

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

There are two ways of determining the value of service – measured and flat. Measured value originates from Group's price list (electricity - price of electricity and price of distribution; heat – price depends on actual previous year prices) and actually measured quantity consumed.

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

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

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

3.2 Accounting policies and significant judgements (continued)

a) Revenue from contracts with customers (continued)

Non-aeronautical services to passengers

Parking

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

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

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

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

Lounges

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

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

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

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

Operation of gastronomic establishment

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

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

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

Other

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

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

3.2 Accounting policies and significant judgements (continued)

b) Rental income

Commercial rent of premises, land and advertising space

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

The value of the lease of retail space usually consists of two parts – minimum rent and variable part of the rent.

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

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

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

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

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

The discounts granted to tenants for the period of 2020 and 2021 in which the air transport were restricted due to Covid-19 in the Czech Republic are recognized under IFRS 9 as a loss in the consolidated statement of profit or loss with a corresponding reduction to the lease receivable for the period in which the reduction was agreed.

3.3 Assets and liabilities related to contracts with customers

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

CZK'000	31 December 2021	31 December 2020
Current contract assets relating to aircraft maintenance and overhauls	37,770	32,822
Loss allowance	(3,637)	(3,932)
Total contract assets	34,133	28,890
Contract liabilities – aeronautical liabilities	55,700	24,630
Contract liabilities – parking	1,348	720
Contract liabilities – other	18	388
Total current contract liabilities	57,066	25,738
Refund liabilities	87,489	36,246
Total liabilities	144,555	61,984

Contract assets relating to aircraft maintenance and overhauls are un-finished aircraft repairs. The amount as at 31 January 2021 and as at 31 December 2020 depends on the number of un-finished aircraft repairs at the end of the year and is influenced by the ordinary business activities of the Group. The amount of contract assets is calculated based on input method on the basis of the entity's inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation.

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

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

The increase of contract liabilities between 31 December 2021 and 31 December 2020 is affected by higher air traffic in 2021 against in 2020 (the impact of Covid-19 in 2020 was more significant).

The refund liabilities include mostly the incentives to the airlines. The increase of the refund liabilities between 31 December 2021 and 31 December 2020 is affected by higher air traffic in 2021 against in 2020 (the impact of Covid-19 in 2020 was more significant).

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

CZK'000	2021	2020
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Contract liabilities – aeronautical liabilities	23,852	41,052
Contract liabilities – parking	720	3,502
Contract liabilities – other	388	589

In 2021 and 2020 there was no revenue related to performance obligations that were satisfied in a prior year.

4. Raw material, merchandise and energy

The breakdown of the 2021 and 2020 raw material, merchandise and energy expenses is as follows:

CZK'000	2021	2020
Cost of aviation fuel sold	227,474	179,926
Aircraft material consumption and merchandise costs	440,863	373,379
Other material consumed and merchandise costs	234,883	192,368
Energy consumption	212,700	216,211
Total	1,115,920	961,884

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

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

5. Repairs and maintenance services

CZK'000	2021	2020
Rotables repairs and maintenance	53,213	128,279
Other repairs and maintenance	129,571	105,816
Total	182,784	234,095

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

6. Other services

Services can be analysed as follows:

CZK'000	2021	2020
Marketing, advertising, promotion	103,725	82,345
IT and related services	170,768	160,651
Cleaning services	47,056	56,857
Services for passengers	6,743	36,417
Agency workers	22,280	4,964
Training	13,313	16,160
Transport services and postage	18,399	20,074
Consultation and expert services	34,846	25,474
Technical maintenance costs	21,198	19,688
Rotables operating leases	7,531	18,154
Medical services	36,330	26,008
Waste disposal	9,044	10,775
Travel expenses	1,316	3,787
Handling services	4,523	5,168
Environmental services	8,299	9,865
Weather forecasts	6,821	8,168
Short-term rent expenses and other operating leasing	10,034	5,794
Subcontractors on aircraft maintenance and overhauls work	6,902	17,304
Other services	71,759	77,712
Total	600,887	605,365

7. Employee benefits

Employee benefits can be analysed as follows:

CZK'000	Total 2021	Out of which: Management	Total 2020	Out of which: Management
Wages and salaries	1,909,434	47,824	2,238,398	47,664
Social security and health costs	254,864	4,876	273,617	5,343
Defined contribution pension cost	437,685	3,100	480,994	6,691
Jubilee benefits	2,516	-	3,581	-
Other employee benefits	45,903	-	77,899	-
Total	2,650,402	55,800	3,074,489	59,698

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

Management includes members of the statutory body of the companies of the Group.

Average recalculated number of employees of the Group in 2021 and 2020 was 3,322 persons and 3,916 persons.

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

In 2021 and 2020 the workforce was reduced by 71 and 622 employees in connection with the restriction of the business due to Covid 19. The Group included in employee benefits expenses for severance payments due to Covid-19 in the amount of CZK 257 thousand and CZK 148,269 thousand in 2021 and 2020.

8. Impairment of non-current assets

Given the significant impact of Covid-19 in 2021 and 2020 and consequent impact on the economy, in particular an increase of energy prices, an increase of interest rates and building material prices at the end of 2021, the management of the Group has assessed that there are indicators of impairment of the Group's CGUs and has undertaken the following:

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

8.1 Identification of CGUs

CGUs are the lowest identifiable group of assets that generate largely independent cash inflows and are determined based on how performance is monitored and how decisions to acquire and dispose of the Group's assets and operations are made. The Group has identified CGUs for 2021 and 2020:

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

8.2 Impairment testing

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

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

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

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

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

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

With the impact of Covid-19 the Group is planning to sale part of the rotables which are not related to the further activities of the Group. The recoverable amount of these rotables is determined using a fair value less cost to sell model. The fair value less costs to sell is estimated based on the market price of the similar rotables with the deduction of 30% due to Covid-19 impact (the deduction results from the European Union Aviation Safety Agency (EASA) publications). The Group recognised an impairment of CZK 12,324 thousand and CZK 39,723 thousand in 2021 and 2020 in the item Other operating expenses in the consolidated statement of profit or loss.

Investment property includes also buildings rented. These buildings are tested using a value in use model. The value in use is calculated by discounting expected future cash flows. In the model, the discount rate 11% is used (exit yield used for perpetuity calculation increased by targeted long-term inflation rate). The Group recognised an impairment of CZK 0 thousand and CZK 5,473 thousand in 2021 and 2020 in the item Other operating expenses in the consolidated statement of profit or loss.

8. Impairment of non-current assets (continued)

8.2 Impairment testing (continued)

Impairment test of CGUs

The impairment test for CGUs includes the allocation of the assets to identified CGUs and the determination of the recoverable amount of the CGU.

The value in use of CGU – current airport operation and the development of the airport was determined by discounting the future cash flows forecast in the long-term plan of the airport and the development plan. The plans were prepared with reference to expected passengers scenarios. A pre-tax discount rate of 8.9% has been used in discounting the projected cash flows of the CGU, reflecting a market estimate of the weighted average cost of capital of the Václav Havel Airport Prague. Given the uncertainty of the impact of the above stated indicators, the Group has adjusted the cash flows under the long-term plan and the development plan for these uncertainties rather than the discount rate.

Based on the final assessment of the recoverable amount no impairment was recognised within CGU – current airport operation and the development of the airport. The carrying amount of the assets related to CGU – current airport operation and the development of the airport is CZK 31,573,628 thousand and CZK 31,710,970 thousand as at 31 December 2021 and as at 31 December 2020.

The value in use of CGU – Aircraft maintenance and overhauls (the trademark is also included in this CGU) was determined by discounting the future cash flows forecast in the long-term plan. The plan was prepared for individual activities taking into account the assessment of the expected aircraft maintenance and overhauls market developments by an independent consultant. A pre-tax discount rate of 10.6 % has been used in discounting the projected cash flows of the CGU, reflecting a market estimate of the weighted average cost of capital of the Czech Airlines Technics a.s. Given the uncertainty of the impact of the above stated indicators, the Group has adjusted the cash flows under the long-term plan for these uncertainties rather than the discount rate.

Based on the final assessment of the recoverable amount no impairment was recognised within CGU – aircraft maintenance and overhauls. The carrying amount of the assets (incl. inventories) related to CGU – Aircraft maintenance and overhauls is CZK 942,888 thousand and CZK 1,037,574 thousand as at 31 December 2021 and as at 31 December 2020.

The value in use of CGU – Handling services (the trademark and goodwill is also included in this CGU) was determined by discounting the future cash flows forecast in the long-term plan. The Group has adjusted the cash flows forecast for estimated uncertainty of the main carrier failure. The long-term plan of handling services was prepared with reference to expected passengers scenarios. A pre-tax discount rate of 10.5 % has been used in discounting the projected cash flows of the CGU, reflecting a market estimate of the weighted average cost of capital of the Czech Airlines Handling a.s. Given the uncertainty of the impact of the above stated indicators, the Group has adjusted the cash flows under the long-term plan for these uncertainties rather than the discount rate.

Based on the final assessment of the recoverable amount no impairment was recognised within CGU – handling services. The carrying amount of the assets related to CGU – Handling services is CZK 255,561 thousand and CZK 263,601 thousand as at 31 December 2021 and as at 31 December 2020.

9. Other operating income

Other operating income can be analysed as follows:

CZK'000	2021	2020
Net gain from disposal of property, plant and equipment	51,278	33,518
Revenues from sale of inventories	23,165	23,602
Reversal of an impairment loss of buildings	-	10,401
Penalisation	1,792	23,043
Insurance claims received	2,109	3,858
Government grants	134,111	120,158
Currency swaps	4,976	11,741
Other	36,065	41,523
Total	253,496	267,844

Government grants

In March 2020 the Government of the Czech Republic approved a government subvention to staff costs (the Antivirus Programme) - an employment protection measure with the intention to mitigate the negative impact of the global spread of Covid-19. The subsidy applies to employers whose employees have been quarantined, isolated, or hindered at work as a result of the government regulations and emergency measures. In 2021 and 2020, the Group received a subsidy from the Antivirus programme in the amount of CZK 33,746 thousand and of CZK 120,158 thousand.

In 2021 the Group has also utilised a special subvention program Covid – Uncovered Costs (compensation of the part of the expenses which are not covered by revenues) and subvention programme Covid 2021 (for mitigating of the negative effects of the sharp decline in sales and providing financial support to ensure liquidity) announced by the Ministry of Industry and Trade in the Czech Republic in response to the global coronavirus pandemic causing the Covid-19 disease. In 2021, according to the terms of these subvention programmes, the Group received subventions in the amount of CZK 54,741 thousand (Covid – Uncovered Costs Programme) and in the amount of CZK 45,624 thousand (subvention Covid 2021 programme).

10. Other operating expenses

Other operating expenses can be analysed as follows:

CZK'000	2021	2020
Rent reduction – derecognition of lease receivable according to IFRS 9	116,371	693,577
Insurance premium costs	87,023	90,452
Contributions to municipalities and gifts	212	34,030
Inventories sold	17,846	18,032
Impairment charges		
rotables	12,325	39,723
spare parts	2,441	-
investment property	-	5,473
inventories	310	33,847
intangible assets	-	829
Penalisation (including disabled worker penalty)	804	568
Change in provision for CO2 emissions	8,363	16
Other	35,130	33,296
Total	280,825	949,843

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

10. Other operating expenses (continued)

Rent reduction

Rent reduction includes the price reliefs granted to tenants for the period of 2021 and 2020 in which the air transport were restricted due to Covid-19 in the Czech Republic. These reductions are recognized under IFRS 9 as a loss in the consolidated statement of profit or loss with a corresponding decerognition of the lease receivables in the period for which the reduction was agreed.

In connection with Covid-19, the amendments to the rent agreements with new terms and conditions were also concluded which lead to modification of the lease, see note 27.

11. Financial income and expenses

The breakdown of the 2021 and 2020 financial income and expenses is as follows:

CZK'000	2021	2020
Bank and other interest income	184	16,420
Other financial income	166	143
Interest and other financial income	350	16,563
Interest expense on bank loans	17,493	110
Lease interest	1,781	7,347
Interest expense on bonds	-	5,923
Total interest expense	19,274	13,380
Amount capitalised	(6,720)	(6,033)
Other financial expenses	2,363	1,452
Interest and other financial expenses	14,917	8,799

12. Income tax

Income tax benefit of the 2021 and 2020 can be analysed as follows:

CZK'000	2021	2020
Deferred income tax income	(217,575)	(355,729)
Adjustments in respect of current income tax of previous periods	63	2,635
Income tax from additional tax assessment	1,227	1,673
Retrospective utilisation of tax loss generated in the year 2020 and 2021	(12,203)	(17,100)
Income tax benefit	(228,488)	(368,521)

The Group has used the option of retrospective utilisation of the tax loss which was approved in the Czech Republic in order to mitigate the impact of the novel coronavirus causing the Covid-19 disease. In line with the conditions, the tax loss generated in the year ending 31 December 2021 in total amount of CZK 64,224 thousand for the Group, 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 12,203 thousand was presented as income tax asset. The tax loss generated in the year ending 31 December 2020 at the maximum allowed amount of CZK 30,000 thousand per company, totally CZK 90,000 thousand for the Group, was utilised retrospectively and settled with the tax base of the year ending 31 December 2018, and the related tax receivable in the amount CZK 17,100 thousand was presented as income tax asset.

12. Income tax (continued)

Reconciliation of income tax expenses applicable to loss before income tax from continuing operations at the statutory income tax rate to income tax expenses at the Group's effective income tax rate for the years 2021 and 2020 is as follows:

CZK'000	2021	2020
Loss before income tax	(1,381,972)	(2,306,788)
Statutory income tax rate	19%	19%
Expected income tax benefit using statutory income tax rates	(262,575)	(438,290)
Tax effect of expenses that are not deductible in determining taxable profit	40,229	30,134
Tax effect of revenues that are not taxable in determining taxable profit	(3,073)	(2,939)
Change of unrecognised deferred tax asset	-	38,266
Adjustments in respect of current income tax of previous periods	1,290	4,308
Adjustments in respect of deferred tax of previous periods	(4,359)	-
Income tax benefit	(228,488)	(368,521)
Effective tax rate	16.5%	16.0%

The current income tax asset:

CZK'000	2021	2020
As at 1 January	41,071	39,853
Adjustment of current income tax in relation to prior periods based on filed corporate income tax return	(63)	(2,635)
Additional tax assessment	(1,227)	(1,673)
Paid income tax of prior periods	(24,755)	(16,078)
Returns of income tax advances	-	(4,469)
Paid advances for income tax	42	8,973
Retrospective utilisation of tax loss	12,203	17,100
As at 31 December	27,271	41,071

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

The deferred tax asset and the deferred tax liability as at 31 December 2021 and 31 December 2020 can be analysed as follows:

CZK'000	31 December 2021	31 December 2020
Deferred tax to be realized within 12 months	-	(22,473)
Deferred tax to be realized after more than 12 months	-	(55,978)
Deferred tax liability	-	(78,451)
Deferred tax to be realized within 12 months	246,265	13,810
Deferred tax to be realized after more than 12 months	(71,324)	28,452
Deferred tax asset	174,941	42,262

The deferred tax liability and asset as at 31 December 2021 are calculated at 19% (the rate enacted for and after 2022). The deferred tax liability and asset as at 31 December 2020 were calculated at 19% (the rate enacted for and after 2021).

12. Income tax (continued)

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

Deferred tax liabilities

CZK'000	Difference between tax and book value of fixed assets	Amortisation of borrowings	Derivatives	Other	Total
As at 1 January 2020	(617,282)	-	(1,390)	(1,548)	(620,220)
Credited / (Debited) to the profit or loss – continuing operations	19,465	-	-	1,548	21,013
Debited to the profit or loss – discontinued operations	86,510	-	-	-	86,510
Credited to equity	-	-	1,390	-	1,390
As at 31 December 2020	(511,307)	-	-	-	(511,307)
Credited to the profit or loss – continuing operations	225,392	(208)	-	-	225,184
Credited to equity	-	-	(6,399)	-	(6,399)
As at 31 December 2021	(285,915)	(208)	(6,399)	-	(292,522)
Offsetting					292,522
As at 31 December 2021					-

Deferred tax assets

CZK'000	Valuation allowances and impairments	Provisions	Employee benefits	Derivatives	Tax loss	Other	Total
As at 1 January 2020	177,172	11,439	5,166	-	1,563	27,650	222,990
Credited / (Debited) to the profit or loss – continuing operations	4,588	(6,918)	(384)	-	345,829	(8,399)	334,716
Credited to the profit or loss – discontinued operations	(81,071)	-	-	-	(1,563)		(82,634)
Credited to equity	-	-	-	46		-	46
As at 31 December 2020	100,689	4,521	4,782	46	345,829	19,251	475,118
Credited / (Debited) to the profit or loss – continuing operations	(12,371)	1,942	(626)	-	5,957	(2,511)	(7,609)
Credited to equity	-	-	-	(46)	-	-	(46)
As at 31 December 2021	88,318	6,463	4,156	-	351,786	16,740	467,463
Offsetting							(292,522)
As at 31 December 2021							174,941

Unrecognised deferred tax asset

CZK'000	31 December 2021	31 December 2020
Tax loss – discontinued operations	53,920	52,876
Tax loss – continuing operations	20,486	-
Impairment – discontinued operations	-	9,973
Impairment – continuing operations	17,780	38,266
Deferred tax asset - unrecognised	92,186	101,115

12. Income tax (continued)

Unrecognised deferred tax asset from the discontinued operations in the amount of CZK 53,920 thousand as at 31 December 2021 and in the amount of CZK 62,849 thousand as at 31 December 2020 has incurred by a subsidiary that is not likely to generate taxable gains in the foreseeable future. Unrecognised deferred tax asset in the amount of CZK 38,266 thousand as at 31 December 2021 and CZK 38,266 thousand as at 31 December 2020 is the part of the deferred tax asset which is not supposed to be realized in the future based on the financial plan of the subsidiary. The tax loss can be claimed against taxable profit within 5 years of its occurrence.

13. Discontinued operations

The aircraft rent activity of the subsidiary B. aircraft, a.s. was terminated in 2020. After termination of this activity, the aircraft owned by B. aircraft, a.s. was sold. The expenses and revenues related to the aircraft rent are presented as discontinued operation in 2021 and 2020.

Profit or loss of discontinued operation

CZK'000	2021	2020
Revenues	58,397 ***)	115,802
Expenses	(682)	(193,878) **
Loss from aircraft sale	-	(280,024) *
of which revenues from aircraft sale	-	*658,583*
of which expenses of aircraft sale	-	*(938,607)*
Profit / (loss) from operating activities	57,715	(358,100)
Net financial loss	-	(2,163)
Profit / (loss) before tax	57,715	(360,263)
Income tax income / (expense)	-	3,876
Profit / (loss) for the year	57,715	(356,387)

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

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

** As of Covid-19 impact - allowance for expected credit loss CZK 52,474 thousand and additional expenses CZK 27,093 thousand

*** As of Covid-19 impact – gain from assignment of the receivables CZK 50,272 thousand

Cash flow from discontinued operation

CZK'000	2021	2020
Net cash from operating activities	54,326	85,366
Net cash from investing activities	-	527,936
Net cash for the year	54,326	613,302

14. Property, plant and equipment

CZK'000	Land	Constructions and runways	Machinery and equipment	Vehicles, fixtures and fittings and other tangibles	Aircraft	Construction in progress	Total
As at 1 January 2020							
Cost	15,609,706	28,008,041	6,259,044	1,869,660	2,461,474	1,943,181	56,151,106
Accumulated depreciation and impairment	-	(17,261,519)	(4,612,016)	(1,236,722)	(1,403,399)	(568)	(24,514,224)
Net book amount	15,609,706	10,746,522	1,647,028	632,938	1,058,075	1,942,613	31,636,882
Year ended 31 December 2020							
Opening net book value	15,609,706	10,746,522	1,647,028	632,938	1,058,075	1,942,613	31,636,882
Additions *)	172,333	1,333,005	1,096,065	230,993	91	(381,576)	2,450,911
Lease assets acquisition	1,331,468	-	-	-	-	-	1,331,468
Investment properties transfers	(20,196)	-	-	-	-	-	(20,196)
Transfers	-	-	198	(198)	-	-	-
Depreciation	-	(1,052,755)	(362,925)	(134,613)	(119,599) **)	-	(1,669,852)
Disposal	(7,962)	(520)	(13,916)	(3,132)	(938,607)	(4,895)	(969,032)
Change in impairment	-	10,401	(39,723)	-	-	-	(29,322)
Closing net book amount	17,085,349	11,036,653	2,326,727	725,988	-	1,556,142	32,730,859
As at 31 December 2020							
Cost	17,085,349	29,166,126	6,922,856	2,058,689	-	1,556,710	56,789,730
Accumulated depreciation and impairment	-	(18,129,473)	(4,596,129)	(1,332,701)	-	(568)	(24,058,871)
Net book amount	17,085,349	11,036,653	2,326,727	725,988	-	1,556,142	32,730,859
Year ended 31 December 2021							
Opening net book value	17,085,349	11,036,653	2,326,727	725,988	-	1,556,142	32,730,859
Additions *)	-	1,478,274	765,779	45,523	-	(903,603)	1,385,973
Investment properties transfers	(35,851)	(90)	-	-	-	-	(35,941)
Depreciation	-	(952,612)	(391,984)	(135,708)	-	-	(1,480,304)
Disposal	-	-	(98,055)	(246)	-	(2,938)	(101,239)
Change in impairment	-	-	(14,766)	-	-	-	(14,766)
Closing net book amount	17,049,498	11,562,225	2,587,701	635,557	-	649,601	32,484,582
As at 31 December 2021							
Cost	17,049,498	30,534,809	7,178,005	2,042,681	-	649,601	57,454,594
Accumulated depreciation and impairment	-	(18,972,584)	(4,590,304)	(1,407,124)	-	-	(24,970,012)
Net book amount	17,049,498	11,562,225	2,587,701	635,557	-	649,601	32,484,582

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

**) Included in discontinued operations

As at 31 December 2021 and as at 31 December 2020, part of the land recognised in the balance sheet was encumbered by easements. The easements relate only to a relatively negligible area of the land involved (assessed by management as below 1% of the total area). The easements relate mainly to enabling the maintenance of standard utilities and communication networks.

In 2020, the Group received a contribution from the State Fund for Transport Infrastructure in the amount of CZK 123,208 thousand to finance the acquisition of airport equipment designated to protect civil aviation against acts of unlawful interference. The acquisition cost of respective property was reduced by amount of this subvention.

14. Property, plant and equipment (continued)

Aircraft

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

15. Investment properties

CZK'000	Land	Buildings	Total
As at 1 January 2020			
Cost	1,783,283	439,957	2,223,240
Accumulated depreciation and impairment	-	(357,834)	(357,834)
Net book amount	1,783,283	82,123	1,865,406
Year ended 31 December 2020			
Opening net book value	1,783,283	82,123	1,865,406
Additions *)	57,658	516	58,174
Lease assets acquisition	26,191	-	26,191
Property, plant and equipment transfers	20,196	-	20,196
Depreciation	-	(10,070)	(10,070)
Change in impairment	-	(5,473)	(5,473)
Closing net book amount	1,887,328	67,096	1,954,424
As at 31 December 2020			
Cost	1,887,328	440,473	2,327,801
Accumulated depreciation and impairment	-	(373,377)	(373,377)
Net book amount	1,887,328	67,096	1,954,424
Year ended 31 December 2021			
Opening net book value	1,887,328	67,096	1,954,424
Additions *)	-	3,798	3,798
Property, plant and equipment transfers	35,851	90	35,941
Depreciation	-	(9,153)	(9,153)
Closing net book amount	1,923,179	61,831	1,985,010
As at 31 December 2021			
Cost	1,923,179	444,933	2,368,112
Accumulated depreciation and impairment	-	(383,102)	(383,102)
Net book amount	1,923,179	61,831	1,985,010

*) Additions also include transfers between Construction in progress and individual items of investment properties.

The fair market value of the land classified as investment property, for major land determined by an independent appraisal, as at 31 December 2021 and as at 31 December 2020 amounted to CZK 2,749,594 thousand and CZK 2,748,221 thousand, respectively. The expert used the market comparison method for valuation.

The fair value of the buildings classified as investment property, for major buildings determined by qualified estimation, as at 31 December 2021 and 2020 amounted to CZK 132,838 thousand and CZK 134,562 thousand, respectively. For valuation were used the income method of valuation (discounted cash flow) or the capitalization of net income model. In the model, a discount rate 11% as at 31 December 2021 and 11% as at 31 December 2020 were used.

Level 3 is used for fair value assessment.

15. Investment properties (continued)

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

CZK'000	Land		Buildings	
	2021	2020	2021	2020
Rental income from investment property	56,032	53,520	25,029	25,662
Direct operating expenses	1,179	932	2,355	1,779

16. Intangible assets and goodwill

CZK'000	Software and other intangibles	Goodwill	Customer relationships, certificates, trademarks	Intangibles in progress	Total
As at 1 January 2020					
Cost	1,030,457	11,084	396,408	22,025	1,459,974
Accumulated amortization and impairment	(871,965)	-	(248,486)	(15)	(1,120,466)
Net book amount	158,492	11,084	147,922	22,010	339,508
Year ended 31 December 2020					
Opening net book value	158,492	11,084	147,922	22,010	339,508
Additions *)	71,146	-	-	6,131	77,277
Amortization	(59,205)	-	(11,565)	-	(70,770)
Disposal	(5,368)	-	-	(594)	(5,962)
Change in impairment	(829)	-	-	-	(829)
Closing net book amount	164,236	11,084	136,357	27,547	339,224
As at 31 December 2020					
Cost	1,076,244	11,084	396,408	27,562	1,511,298
Accumulated amortization and impairment	(912,008)	-	(260,051)	(15)	(1,172,074)
Net book amount	164,236	11,084	136,357	27,547	339,224
Year ended 31 December 2021					
Opening net book value	164,236	11,084	136,357	27,547	339,224
Additions *)	86,306	-	-	3,965	90,271
Amortization	(64,489)	-	(11,566)	-	(76,055)
Disposal	(8,000)	-	-	-	(8,000)
Closing net book amount	178,053	11,084	124,791	31,512	345,440
As at 31 December 2021					
Cost	1,145,634	11,084	396,409	31,512	1,584,639
Accumulated amortization and impairment	(967,581)	-	(271,618)	-	(1,239,199)
Net book amount	178,053	11,084	124,791	31,512	345,440

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

16. Intangible assets and goodwill (continued)

The item Customer relationships, certificates, trademarks includes also trademarks in the carrying amounts of CZK 57,325 thousand and CZK 57,325 thousand as at 31 December 2021 and 2020, respectively.

17. Inventories

As at 31 December 2021 and as at 31 December 2020, inventories consist of the following:

CZK'000	31 December 2021	31 December 2020
Raw materials and other supplies	291,438	285,652
Finished goods, at cost	26,033	17,166
Advances granted for inventory	1,019	418
Livestock, at cost	936	906
Total inventory - net	319,426	304,142

Excess, obsolete and slow-moving inventory has been written down to its estimated net realisable value by an allowance account. The allowance is determined by the management based on inventory turnover and its expected future utilisation. The amount of allowances for obsolete inventory recognised as expense / (income) in 2021 and 2020 totalled CZK (3,202) thousand and CZK 33,410 thousand, respectively. The allowance to inventories resulted from a major impact of Covid-19 in 2020. The creation of an allowance for obsolete inventory has been included in the Other operating expenses line in the profit or loss. The release of the allowance for obsolete inventory is included in the Other operating income line in the profit or loss.

18. Trade and other receivables

As at 31 December 2021 and as at 31 December 2020, trade and other receivables consist of the following:

CZK'000	31 December 2021	31 December 2020
Trade accounts receivable - invoiced *)	1,016,663	712,672
Trade accounts receivable – not yet invoiced *)	133,099	74,113
Contract assets **)	37,770	32,822
Receivables from tax authority **)	57,341	86,640
Derivatives *)	17,384	803
Other receivables **)	20,549	27,374
Less allowance for expected credit loss (Trade accounts receivable - invoiced)	(225,617)	(342,292)
Less allowance for expected credit loss (Trade accounts receivable – not yet invoiced)	(2,237)	(14,917)
Less allowance for expected credit loss (Contract assets)	(3,637)	(3,932)
Less allowance for expected credit loss (Receivables from tax authority and Other)	(2,609)	(2,738)
Total current trade and other receivables – net	1,048,706	570,545

*) Financial assets
**) Non-financial assets

Trade accounts receivable also includes lease receivables according to IFRS 16.

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

Receivables from the tax authority as at 31 December 2021 and as at 31 December 2020 consist in particular of a VAT receivable in the amount of CZK 57,341 thousand and CZK 86,640 thousand, respectively.

For allowance for expected credit loss, see note 30.

19. Prepayments and other current assets

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

20. Cash and cash equivalents

As at 31 December 2021 and as at 31 December 2020, cash and cash equivalents consist of the following:

CZK'000	31 December 2021	31 December 2020
Cash at bank - net	94,469	101,581
Cash on hand	3,435	3,284
Cash in transit	2,510	1,808
Total cash and cash equivalents	100,414	106,673

Cash at the bank earns interest at floating rates.

Reconciliation to the consolidated statement of cash flow:

CZK'000	31 December 2021	31 December 2020
Total cash and cash equivalents - net	100,414	106,673
Impairment to cash	9	162
Cash and cash equivalents in the statement of cash flows	100,423	106,835

21. Shareholder's equity

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

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

Other reserves

CZK'000	31 December 2021	31 December 2020
Other capital contributions	12,634	12,634
Foreign currency derivatives - cash flow hedge	4,798	(242)
Interest rate swaps – cash flow hedge	28,883	-
Deferred tax	(6,399)	46
Other	9,037	8,966
Total	48,953	21,404

21. Shareholder's equity (continued)

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

CZK'000	Other capital contributions	Cash flow hedge currency	Cash flow hedge interest rate	Financial assets at FVOCI *)	Other	Total other reserves
As at 1 January 2020	**24,531,971**	**5,927**	**-**	**946**	**8,176**	**24,547,020**
Revaluation – gross	-	(59)	-	(156)	-	(215)
Reclassification to profit or loss - gross	-	(7,500)	-	-	-	(7,500)
Deferred tax	-	1,436	-	-	-	1,436
Other comprehensive income	**-**	**(6,123)**	**-**	**(156)**	**-**	**(6,279)**
Share capital increase	(24,519,337)	-	-	-	-	(24,519,337)
As at 31 December 2020	**12,634**	**(196)**	**-**	**790**	**8,176**	**21,404**
Revaluation – gross	-	4,798	28,883	71	-	33,752
Reclassification to profit or loss - gross	-	242	-	-	-	242
Deferred tax	-	(958)	(5,487)	-	-	(6,445)
Other comprehensive loss	**-**	**4,082**	**23,396**	**71**	**-**	**27,549**
As at 31 December 2021	**12,634**	**3,886**	**23,396**	**861**	**8,176**	**48,953**

*) Financial assets at fair value through other comprehensive income

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

For more information on cash flow hedges, see Note 30.

22. Interest-bearing loans and borrowings

As at 31 December 2021 and as at 31 December 2020, the Group had the following interest-bearing borrowings:

CZK'000	31 December 2021	31 December 2020
Bank overdrafts in CZK	973,909	237,232
Bank loan in CZK – non current	900,442	-
Total interest-bearing borrowings	1,874,351	237,232

Bank loans

Bank loan – non current

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 (debt/equity ratio) 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 has the loan in the total amount of CZK 900,000 thousand as at 31 December 2021.

22. Interest-bearing loans and borrowings (continued)

Future repayments of the bank loan as at 31 December 2021 are as follows:

CZK'000	Un-discounted	Discounted (fair value)
Cash flow from future payments	900,000	908,036

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

Bank overdraft

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.

Future repayments of the bank overdraft as at 31 December 2021 are as follows:

CZK'000	Un-discounted	Discounted (fair value)
Cash flow from future payments	973,909	951,955

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

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

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

In 2021 and 2020, the interest and other charges related to the bank loans were CZK 17,493 thousand and CZK 110 thousand, respectively, of which CZK 6,720 thousand and CZK 110 thousand were capitalised as part of construction of tangible non-current assets.

Bonds

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

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

Issued bonds were reimbursed in full in 2020.

In 2021 and 2020, the interest and other costs related to the Bond Programme were CZK 0 thousand and CZK 5,923 thousand respectively, of which CZK 0 thousand and CZK 5,923 thousand were capitalized as part of construction of tangible non-current assets.

22. Interest-bearing loans and borrowings (continued)

Net debt reconciliation

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

	Liabilities from financing activities				Assets	
CZK'000	Loans and borrowings	Bonds	Leases	Sub-total	Cash and cash equivalents	Total net debt
Net debt as at 1 January 2020	-	(256,32	(1,727,522)	(1,983,849)	3,768,174	1,784,325
Interest expense	(110)	(5,923)	(7,347)	(13,380)	-	(13,380)
Interest payments	-	-	7,347	7,347	-	7,347
Capitalised interest payments (presented as cash flow from investing activities)	110	20,790	-	20,890	-	20,890
Index and increase of lease payments	-	-	(50,442)	(50,442)	-	(50,442)
Lease contracts modification	-	-	118,779	118,779	-	118,779
Other cash flows (repayments or drawdowns)	(237,232)	241,460	1,396,928	1,401,156	(3,661,339)	(2,260,183)
Net debt as at 31 December 2020	(237,232)	-	(262,257)	(499,489)	106,835	(392,654)
Interest expense	(17,612)	-	(1,781)	(19,393)	-	(19,393)
Interest payments	10,494	-	1,781	12,275	-	12,275
Capitalised interest payments (presented as cash flow from investing activities)	6,677	-	-	6,677	-	6,677
Index and increase of lease payments	-	-	(2,487)	(2,487)	-	(2,487)
Other cash flows (repayments or drawdowns)	(1,636,678)	-	10,778	(1,625,900)	(6,412)	(1,632,312)
Net debt as at 31 December 2021	(1,874,351)	-	(253,966)	(2,128,317)	100,423	(2,027,894)

23. Lease assets and lease liabilities

Lease assets

The Group leases the land.

CZK'000	Lease assets
As at 1 January 2020	
Cost	1,833,156
Accumulated amortization	(120,119)
Net book value	1,713,037
Year ended 31 December 2020	
Opening net book value	1,713,037
Additions	50,442
Lease assets acquisition	(1,431,403)
Amortization	(31,139)
Disposal	(44,675)
Closing net book value	256,262

23. Lease assets and lease liabilities (continued)

CZK'000	Lease assets
As at 31 December 2020	
Cost	282,800
Accumulated amortization	(26,538)
Net book value	256,262
Year ended 31 December 2021	
Opening net book value	256,262
Additions	2,487
Amortization	(9,583)
Closing net book value	249,166
As at 31 December 2021	
Cost	285,287
Accumulated amortization	(36,121)
Net book value	249,166

Lease liabilities

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

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

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

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

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

CZK'000	2021	2020
Lease liabilities as at 1 January	262,257	1,727,522
Index and increase of lease payments	2,487	50,442
Lease contracts modification impact	-	(118,779)
Annual lease payments	(10,778)	(28,097)
Lease assets purchase	-	(1,368,831)
Lease liabilities as at 31 December	253,966	262,257

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

Current portion of lease liability as at 31 December 2021 and as at December 2020 is in the amount of CZK 10,310 thousand and CZK 12,086 thousand. Non-current portion of lease liabilities as at 31 December 2021 and as at 31 December 2020 is in the amount of CZK 243,656 thousand and CZK 250,171 thousand.

Short-term lease and low-value asset lease

The total expenses on short-term lease and low-value asset lease are in the amount of CZK 10,034 thousand and CZK 5,794 thousand in 2021 and in 2020.

24. Trade and other payables

As at 31 December 2021 and as at 31 December 2020, trade and other non-current payables comprise the following:

CZK'000	31 December 2021	31 December 2020
Security deposit relating to the rent agreements **)	10,431	25,275
Retained payments from investments *)	217,103	204,888
Derivatives *)	929	-
Total other non-current payables	228,463	230,163

*) Financial liabilities
**) Non-financial liabilities

As at 31 December 2021 and as at 31 December 2020, current trade and other payables comprise the following:

CZK'000	31 December 2021	31 December 2020
Trade payables *)	954,057	1,034,283
Payables to employees **)	195,149	231,243
Social security payables and employees taxes **)	108,853	125,424
Payables to tax authority **)	1,060	567
Contract liabilities **)	57,066	25,738
Refund liabilities *)	87,489	36,246
Advances received **)	195	2,003
Deferred income and security deposit - rent **)	30,937	22,899
Derivatives *)	459	704
Other **)	7,152	3,514
Total trade and other payables	1,442,417	1,482,621

*) Financial liabilities
**) Non-financial liabilities

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

25. Provisions

As at 31 December 2021 and as at 31 December 2020, the Group recognised the following provisions:

	Non-current provisions		
CZK'000	Anti-noise measures	Legal and other risks	Total
As at 1 January 2020	98,000	13,327	111,327
Transfer	9,523	-	9,523
Arising during the year	-	169	169
As at 31 December 2020	107,523	13,496	121,019
Transfer	(10,603)	-	(10,603)
Arising during the year	-	124	124
Reversed	(9,946)	(77)	(10,023)
Utilised	-	(12)	(12)
As at 31 December 2021	86,974	13,531	100,505

25. Provisions (continued)

CZK'000	Current provisions				
	Anti-noise measures	Complaints and warranties	Emission allowances	Legal and other risks	Total
As at 1 January 2020	52,000	39,241	5,652	1,988	98,881
Transfer	(9,523)	-	-	-	(9,523)
Arising during the year	-	3,721	-	1,696	5,417
Reversed	-	(183)	(5,652)	(194)	(6,029)
Utilised	(3,988)	(35,895)	-	(76)	(39,959)
As at 31 December 2020	38,489	6,884	-	3,414	48,787
Transfer	10,603	-	-	-	10,603
Arising during the year	-	621	8,341	8,686	17,648
Reversed	-	(3,210)	-	(182)	(3,392)
Utilised	(15,194)	(2,581)	-	(1,487)	(19,262)
As at 31 December 2021	33,898	1,714	8,341	10,431	54,384

The anti-noise measures provision is related to implementation of supplementary anti-noise measures in the period from 2021 to 2025 to which the Group has been committed to perform as a part of the noise management policy. The provision was estimated based on a calculation that took into consideration the number of properties in the defined noise zone, probable interest of the owners of these properties on the implementation of relevant anti-noise measures determined based on a questionnaire survey, and the expected costs of the implementation of the anti-noise measures for individual types of properties.

26. Employee benefits liability

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

The balance of the employee benefits liability as at 31 December 2021 and as at 31 December 2020 is as follows:

CZK'000	31 December 2021	31 December 2020
Opening balance	23,368	27,191
Additions	3,130	5,959
(Utilised/reversed)	(4,626)	(9,782)
Total	21,872	23,368

27. Commitments and contingencies

Environmental policy

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

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

Legal claims

The total exposure resulting from pending legal claims, with the probability of losing the litigation higher than 50%, as at 31 December 2021 and as at 31 December 2020 was CZK 13,894 thousand and CZK 13,961 thousand, respectively. A provision was created for these legal disputes. It is part of the provision for legal and other risks.

27. Commitments and contingencies (continued)

Contractual commitments - liabilities

As at 31 December 2021 and as at 31 December 2020, the Group had contracted investment commitments in the total amount of CZK 432,640 thousand and CZK 1,068,449 thousand, respectively.

Contractual commitments - receivables

As part of its business activities, the Group rents out commercial space and land in the airport. The future minimum rent receivable under non-cancellable operating leases (without considering a breach of contractual terms) was as follows as at 31 December 2021 and as at 31 December 2020:

CZK'000	31 December 2021	31 December 2020
Within one year	177,469	397,338
After one year but not more than five years	476,092	1,190,074
More than five years	750,801	821,133
Total	1,404,362	2,408,545

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

In connection with Covid-19, the amendments to the rent agreements with new terms and conditions were concluded. For this reason, the future minimum non-cancellable rent receivable was decreased between 2021 and 2020.

Guarantees

As at 31 December 2021 there are bank guarantees issued in favour of the Group to secure the rent payment in the amount of CZK 310,366 thousand, to secure the construction work in the amount of CZK 178,368 thousand, to secure airport activities in the amount of CZK 15,397 thousand and the others in the amount of CZK 3,000 thousand. The bank guarantees issued in favour of third parties regarding operational activities of the Group are in the amount of CZK 2,753 thousand.

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

28. Related-party disclosures

Sales to entities that are either state-controlled companies or companies under common control of the state or government institutions higher than CZK 1,000 thousand per individual entity in 2021 and 2020 totalled CZK 102,882 thousand and CZK 95,182 thousand, respectively.

The highest amount of sales in 2021 was to: Czech Aviation Training Centre, s.r.o. (rent of premises, energy consumption – CZK 38,131 thousand), Řízení letového provozu, s.p. (rent of premises, energy consumption – CZK 20,911 thousand), Ministerstvo vnitra CR (rent of premises, energy consumption – CZK 15,336 thousand), Státní veterinární správa (veterinary station operation, energy consumption – CZK 5,786 thousand) and Generální ředitelství cel (sale of land, rent of premises, energy consumption – CZK 7,780 thousand).

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

28. Related-party disclosures (continued)

Purchases from entities that are either state-controlled companies or companies under common control of the state or government institutions higher than CZK 1,000 thousand per individual entity in 2021 and 2020 totalled CZK 64,791 thousand and CZK 1,670,268 thousand.

The highest amount of purchases in 2021 was from: ČEPRO, a.s. (fuels – CZK 35,647 thousand), Správa Letiště Praha, s.p. (lease of land – CZK 3,135 thousand), Czech Aviation Training Centre, s.r.o. (training services – CZK 9,504 thousand) and Český hydrometeorologický ústav (weather forecast – CZK 7,180 thousand) and municipality Tuchoměřice (anti-noise measures – CZK 3,659 thousand) .

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

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

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

Further the Group rents the premises to the related parties free of charge in 2021 and 2020 in the amount of CZK 7,745 thousand and CZK 7,839 thousand. The premises are used for the necessary activities for the airport operation.

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

For key management compensation, see Note 7.

29. Audit fee

The total audit fee to the company PricewaterhouseCoopers Audit, s.r.o. for the audits of financial statements of the companies within the Group and related services in 2021 and 2020 respectively for the Group is in the amount of CZK 2,623 thousand and CZK 2,613 thousand, respectively.

30. Financial risk management objectives and policies

Risk analysis

Liquidity risk

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

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

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

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

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

As at 31 December 2021 CZK'000	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Bank overdraft				
principal	973,909	-	-	973,909
interests	19,448	-	-	19,448
Bank loan				
principal	-	600,000	300,000	900,000
interests	37,164	133,260	8,113	178,537
Trade and other payables	1,042,005	198,410	19,622	1,260,037
Lease liabilities	10,310	36,264	207,392	253,966

As at 31 December 2020 CZK'000	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Bank overdraft				
principal	237,232	-	-	237,232
interests	600	-	-	600
Trade and other payables	1,071,233	175,255	29,633	1,276,121
Lease liabilities	12,086	35,667	214,504	262,257

30. Financial risk management objectives and policies (continued)

Credit risk

Credit quality of cash and cash equivalents

The Group invests its temporarily excessive liquidity solely with top credit rated banks. Based on the evaluation of the risk of the individual rating categories according to S&P Global estimate of 2020 and 2019 the impairment to cash at bank was set as at 31 December 2021 and as at 31 December 2020. The estimate of 2021 and the average of 2019 and 2020 (to reflect the Covid-19 impact) was used for calculation as at 31 December 2021 and 31 December 2020.

As at 31 December 2021 CZK'000	Rating Moody's	Rating S&P	Risk in %	Amount	Impairment
Bank A	Aa3	A+	0.00	75,998	-
Bank B	A1	A	0.00	1,050	-
Bank C	Baa1	BBB	0.06	17,424	9
Bank D	A1	A+	0.00	6	-
Celkem				94,478	9

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

Management of trade and other receivables

The credit risk arises from the possibility that the customers may not be able to settle obligations to the Group within the normal terms of trade. To manage this risk, the Group periodically assesses the financial viability of its customers. Credit risk is controlled by the application of credit approvals, limits and monitoring procedures. Payment terms (security deposits, advance payments, payments in cash on spot, or by invoice) are determined based on the assessed credit quality of the customer. Naturally, the business partners with the highest share of the Company's revenues represent the main concentration of the credit risk. In 2020 the most important customer was Smartwings group, the share on the trade receivables (incl. unbilled revenues) of this group was 22% as at 31 December 2020 (as at 31 December 2021 it is only 6 %). As at 31 December 2021 none of the customers has a share in trade receivables higher than 10%.

Management of receivables from the lease agreements

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

Management of receivables from the airport operations

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

30. Financial risk management objectives and policies (continued)

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

Management of other financial assets

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

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

Expected credit losses and credit quality of trade receivables and contract assets

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

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

From the historical data results that the receivables which are more than 6 months past overdue are collectible with large difficulties, so that to these receivables the Group creates the allowance of 100 %, if there is not the indicator that the customer will at least partially pay the receivables. Other receivables and contract assets are individually analysed based on the payment profile of the debtor or objective evidences of significant financial difficulties of the debtor (e.g. the debtor is in bankruptcy proceedings). Those are indicators that the trade receivable or contract asset is impaired (based on the risk matrix).

On that basis, the provision for expected credit losses as at 31 December 2021 and as at 31 December 2020 was determined as follows for trade receivables and contract assets:

As at 31 December 2021 CZK'000	Expected loss rate	Trade receivables - invoiced	Trade receivables – not yet invoiced	Contract assets	Expected credit losses
Overdue more than 12 months	91.1%	213,534	-	-	(194,501)
Overdue more than 12 months	73.8%	26,585	-	-	(19,631)
Overdue up to 6 months	5.3%	209,572	-	-	(11,201)
Not yet due	0.8%	566,972	133,099	37,770	(6,158)
Total		1,016,663	133,099	37,770	(231,491)

Trade receivables overdue up to 6 months as at 31 December 2021 also include receivables from a significant debtor in the amount of CZK 102,316 thousand, which were paid at the beginning of January 2022.

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

30. Financial risk management objectives and policies (continued)

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

CZK'000	2021	2020
As at 1 January	361,141	103,902
Increase of provision – continuing operations	18,442	206,143
Increase of provision – discontinued operations	-	52,474
Unused amount reversed – continuing operations	(67,027)	-
Unused amount reversed – discontinued operations	(50,272)	-
Receivables written off during the year as uncollectible – continuing operations	(28,591)	(1,378)
Receivables written off during the year as uncollectible – discontinued operations	(2,202)	-
As at 31 December	231,491	361,141

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

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

The decrease of the provision for expected credit loss in 2021 is mainly affected by the collection or anticipated collection of receivables in relation to the development of the Group's largest debtors in 2021 and 2022.

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

As at 31 December 2021 CZK'000	Not due yet	Overdue	Total
Trade receivables – invoiced	566,972	449,691	1,016,663
Trade receivables – not yet invoiced	133,099	-	133,099
Contract assets	37,770	-	37,770
Of which covered by the collateral *)	65,316	9,258	74,574

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

As at 31 December 2020 CZK'000	Not due yet	Overdue	Total
Trade receivables – invoiced	306,965	405,707	712,672
Trade receivables – not yet invoiced	74,113	-	74,113
Contract assets	29,716	3,106	32,822
Of which covered by the collateral *)	74,268	100,315	174,583

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

Market risk

Foreign exchange risk – airport operations and handling services

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

The Group considers foreign exchange risk from airport operations and handling services to be insignificant. The transactional currency risk is calculated in each foreign currency and includes currency-denominated assets and liabilities. As at 31 December 2021 and as at 31 December 2020, the Group did not have any exchange rate hedges in place to mitigate the foreign currency exposure from airport operations and handling services.

30. Financial risk management objectives and policies (continued)

Foreign exchange risk – aircraft maintenance and overhauls

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

Therefore, the Group concluded FX hedging transactions (FX forward) with the aim to hedge its income in foreign currencies against the foreign currency risk. The Group also concluded short-term currency swaps in 2021 and 2020 that were classified as trading instruments.

As at 31 December 2021 and as at 31 December 2020 the Group has concluded hedging derivatives to secure part of its EUR and USD exposure:

Foreign currency forwards – cash flow hedges

CZK'000	2021	2020
Non-current assets – derivatives	1,484	-
Current assets – derivatives	5,564	688
Non-current liabilities – derivatives	(929)	-
Current liabilities - derivatives	(267)	(704)

CZK'000 Maturity	Fair value as at 31 December 2021 *Asset*	 *Liability*	Nominal value as at 31 December 2021	Fair value as at 31 December 2020 *Asset*	 *Liability*	Nominal value as at 31 December 2020
Within one month	1,021	-	30,686	-	(16)	16,789
From one to three months	1,725	-	61,372	-	(59)	33,578
From three months to one year	2,818	(267)	277,018	688	(629)	164,331
Above one year	1,484	(929)	238,030	-	-	-
Total	7,048	(1,196)	607,106	688	(704)	214,698

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

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

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

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

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

There was no ineffectiveness during 2021 and 2020 in relation to the foreign currency forwards.

30. Financial risk management objectives and policies (continued)

As at 31 December 2021 and as at 31 December 2020, the Group has concluded currency swaps in EUR and USD:

Currency swaps

CZK'000 Maturity	Fair value as at 31 December 2021 *Asset*	 *Liability*	Nominal value as at 31 December 2021	Fair value as at 31 December 2020 *Asset*	 *Liability*	Nominal value as at 31 December 2020
Within one month	-	(192)	75,109	115	-	25,882

Foreign exchange risk – currency exposure

The following tables show foreign currency exposures per main currencies (with the balance higher than CZK 10 million in some of the category or in total) as at 31 December 2021 and as at 31 December 2020:

As at 31 December 2021 CZK'000	Trade and other receivables	Trade and other payables	Cash and cash equivalents	Total
EUR	452,690	(38,410)	19,661	433,941
USD	260,832	(136,465)	27,092	151,459
Total	713,522	(174,875)	46,753	585,400

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

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

As at 31 December 2021 CZK'000		Trade and other receivables	Trade and other payables	Cash and cash equivalents	Total
EUR	Appreciation of CZK by 10%	(45,269)	3,841	(1,966)	(43,394)
	Depreciation of CZK by 10%	45,269	(3,841)	1,966	43,394
USD	Appreciation of CZK by 10%	(26,083)	13,646	(2,709)	(15,146)
	Depreciation of CZK by 10%	26,083	(13,646)	2,709	15,146

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

30. Financial risk management objectives and policies (continued)

Interest rate risk

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

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

The Group is exposed to the interest rate risk due to the variable interest rate fluctuations of the Group's long-term loan. In order to reduce this risk, the Group uses an interest rate swap, when a fixed interest rate is exchanged for a floating one, thus fulfilling the Group's strategy to maintain a partial volume of external debt at a fixed interest rate.

The bank overdraft is based on a variable rate and the Group has still the option to use this form of financing.

Swaps currently in place cover 100 % of the variable long-term loan principal outstanding. The fixed interest rate of the swap is 2,999 % and the variable rate of the loan is 3M PRIBOR + margin.

Net interest receivables or payables from the concluded interest rate swap are settled every 3 months. The settlement dates coincide with the dates on which interest on the underlying debt is due.

The Group enters into an interest rate swap in the way that meets as much as possible the terms of the drawn loan, i.e. to ensure compliance of critical terms with the hedged item such as reference interest rate, swap settlement dates and loan interest maturity dates, amount, and thus lead to highly effective hedge relationship.

As all critical terms match, there is an economic relationship between hedging instrument and hedged item.

The effects of the interest rate swap on the Group's financial position and performance are as follows:

CZK'000	2021	2020
Carrying amount (current and non-current asset)	29,002	-
Nominal amount	900,000	-
Maturity date	2022-2027	-
Hedge ratio	1:1	-
Change in fair value of outstanding hedging instruments since 1 January	29,002	-

Analysis of sensitivity to change in interest rates on fair value of the interest rate swap

as at 31 December 2021 CZK'000	Fair value of interest rate swap	Justified fluctuation of interest rates in % p.a.	Annual impact of the change of the variable +/- on Other comprehensive income
Variable interest rate	29,002	2.4%	94,280

Analysis of sensitivity to change in interest rates on bank overdraft

as at 31 December 2021 CZK'000	Balance of the bank overdraft	Justified fluctuation of interest rates in % p.a.	Annual impact of the change of the variable +/-
Variable	973,909	2.8%	13,635

as at 31 December 2020 CZK'000	Balance of the bank overdraft	Justified fluctuation of interest rates in % p.a.	Annual impact of the change of the variable +/-
Variable	237,232	1.0%	2,372

30. Financial risk management objectives and policies (continued)

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

as at 31 December 2021 CZK'000	Balance of the outstanding deposits	Justified fluctuation of interest rates in % p.a.	Annual impact of the change of the variable +/-
Variable	94,479	2.6%	2,456

as at 31 December 2020 CZK'000	Balance of the outstanding deposits	Justified fluctuation of interest rates in % p.a.	Annual impact of the change of the variable +/-
Variable	101,743	1.0%	1,017

Annual impact of the change is stated before income tax.

Reconciliation of classes of financial instruments with measurement categories

The following tables provide a reconciliation of classes of financial assets and liabilities with the measurement categories as at 31 December 2021 and as at 31 December 2020:

31 December 2021 CZK'000 Financial assets	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Derivative financial instruments used for hedging	Total	Fair value
Cash and cash equivalents:					
Cash at bank	94,469	-	-	94,469	94,469
Cash on hands	3,435	-	-	3,435	3,435
Cash in transit	2,510	-	-	2,510	2,510
Receivables:					
Trade accounts receivable - invoiced	791,046	-	-	791,046	791,046
Trade accounts receivable – not yet invoiced	130,862	-	-	130,862	130,862
Derivatives – current	-	-	17,384	17,384	17,384
Derivatives – non current	-	-	18,666	18,666	18,666
Total financial assets	1,022,322	-	36,050	1,058,372	1,058,372

31 December 2020 CZK'000 Financial assets	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Derivative financial instrument s used for hedging	Total	Fair value
Cash and cash equivalents:					
Cash at bank	101,581	-	-	101,581	101,581
Cash on hands	3,284	-	-	3,284	3,284
Cash in transit	1,808	-	-	1,808	1,808
Receivables:					
Trade accounts receivable - invoiced	370,380	-	-	370,380	370,380
Trade accounts receivable – not yet invoiced	59,196	-	-	59,196	59,196
Derivatives – current	-	115	688	803	803
Total financial assets	536,249	115	688	537,052	537,052

For fair value assessment the Level 3 is used.

30. Financial risk management objectives and policies (continued)

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

31 December 2021 CZK'000 Financial liabilities	Financial liabilities at amortised cost	Financial liabilities at fair value through profit or loss	Derivative financial instruments used for hedging	Total	Fair value
Loans and borrowings:					
Bank overdraft – current	973,909	-	-	973,909	951,955
Bank loan – non-current	900,442	-	-	900,442	908,036
Lease liabilities:					
Non-current	243,656	-	-	243,656	x
Current	10,310	-	-	10,310	x
Payables:					
Trade and other payables – current	1,041,546	-	-	1,041,546	1,041,546
Trade and other payables – non-current	217,103	-	-	217,103	217,103
Derivatives – current	-	192	267	459	459
Derivatives – non-current	-	-	929	929	929
Total financial liabilities	3,386,966	192	1,196	3,388,354	x

31 December 2020 CZK'000 Financial liabilities	Financial liabilities at amortised cost	Financial liabilities at fair value through profit or loss	Derivative financial instruments used for hedging	Total	Fair value
Loans and borrowings:					
Bank overdraft – current	237,232	-	-	237,232	235,252
Lease liabilities:					
Non-current	250,171	-	-	250,171	x
Current	12,086	-	-	12,086	x
Payables:					
Trade and other payables – current	1,070,529	-	-	1,070,529	1,070,529
Trade and other payables – non-current	204,888	-	-	204,888	204,888
Derivatives – current	-	-	704	704	704
Total financial liabilities	1,774,906	-	704	1,775,610	x

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

The fair value of the interest rate swap results from the difference between present value of variable interest rate cash flows and present value of fixed interest rate cash flows. Present value of variable interest rate cash flows is calculated by using forward swap curve.

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

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

There were no transfer between levels of fair value assessment in 2021 and 2020.

30. Financial risk management objectives and policies (continued)

Capital management

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

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

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

CZK'000	As at 31 December 2021	As at 31 December 2020
Financial debt	2,128,317	499,489
Equity	32,866,041	33,934,261
The leverage ratio	6.48%	1.47%

In August 2021, the International rating agency Moody´s Investors Service confirmed the credit rating of the Company to Aa3, stable.

The Group's capital management, amongst other things, aims to ensure that it meets the financial covenant attached to the interest-bearing loan that defines capital structure requirements. In 2021, there had been no breaches in the financial covenant of the interest-bearing loan during its drawdown period.

31. Events after the balance sheet date

In connection with the current situation regarding the Russian aggression in Ukraine and the related negative effects in the aviation industry, the Group's management assessed the expected impacts on the Group'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 exceed planned 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 relevant outage caused by the war in Ukraine. The Group has not identified any other significant effects on its financial position.

Due to the highly volatile situation, the Group'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 Group'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 Group's financial results. However, the effects of this negative scenario are difficult to quantify at this moment.

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

As of 1 May 2022, the sole shareholder in the exercise of the powers of the General Meeting of Letiště Praha, a. s. elected Ing. Pavel Východský, Ph.D. to the Board of Directors of the Company.

31. Events after the balance sheet date (continued)

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

These consolidated financial statements of Letiště Praha, a. s. for the year ended 31 December 2021 were authorised for issue:

31 May 2022

Jiří Pos
Chairman of the Board of Directors

Jiří Kraus
Vice-Chairman of the Board of Directors

Independent auditor's report

to the shareholder of Letiště Praha, a. s.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Letiště Praha, a. s., with its registered office at K letišti 1019/6, Praha 6 - Ruzyně (the "Company") and its subsidiaries (together the "Group") as at 31 December 2021, of the Group's consolidated financial performance and consolidated cash flows for the year ended 31 December 2021 in accordance with International Financial Reporting Standards as adopted by the European Union.

What we have audited

The Group´s consolidated financial statements comprise:

- the consolidated statement of profit or loss for the year ended 31 December 2021,
- the consolidated statement of comprehensive income for the year ended 31 December 2021,
- the consolidated statement of financial position as at 31 December 2021,
- the consolidated statement of changes in equity for the year ended 31 December 2021,
- the consolidated statement of cash flows for the year ended 31 December 2021, and
- the notes to the consolidated 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 consolidated financial statements section of our report.

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

Independence

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

Other information

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

PricewaterhouseCoopers Audit, s.r.o., Hvězdova 1734/2c, 140 00 Prague 4, Czech Republic
T: +420 251 151 111, www.pwc.com/cz

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

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

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

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

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

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

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

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

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

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

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

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

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

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

31 May 2022

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

Jiří Zouhar
Statutory Auditor, Licence No. 2542