



LETIŠTĚ PRAHA, A. S.

2017

ANNUAL REPORT



1. Company Profile

Mission of the Company

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

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

Letiště Praha, a. s. works closely with the Ministry of Transport of the Czech Republic, the Civil Aviation Authority, the Air Navigation Services of the Czech Republic, 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 the home base to four carriers, namely České aerolinie a.s. (hereinafter referred to as "Czech Airlines"), Ryanair, Travel Service, a.s. (hereinafter referred to as "Travel Service") and Wizz Air.

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

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

Legal Status of the Company

Letiště Praha, a. s. is a subsidiary fully owned by its parent, Český Aeroholding, a.s. (hereinafter referred to as "Czech Aeroholding") that groups companies active in areas linked to the operations of Václav Havel Airport Prague and in related ground services. The Ministry of Finance of the Czech Republic, representing the State, is the sole shareholder of Český Aeroholding, a.s.

Letiště Praha, a. s. has no branches abroad.

Letiště Praha, a. s. does not carry out any significant research and development activities.

2. Company Management and Governance

General Data

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

Shareholder

Český Aeroholding, a.s., Company Registration No.: 24 82 19 93, is the sole shareholder of Prague Airport.

Administrative Bodies

The General Meeting is the supreme body of the Company. It appoints and dismisses members of the statutory and supervisory bodies.

The Board of Directors is the statutory body of the Company. It manages the Company's activities and acts on behalf of the Company. As at 31 December 2017, the Board of Directors had four members.

The Supervisory Board is the controlling body of the Company. It supervises the scope of performance of the Board of Directors and the Company's business activities. The Supervisory Board has three members.

Contact

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Board of Directors of the Company

In 2017, the Company was managed by the Board of Directors which had four members.

Chairman of the Board of Directors

Ing. Václav Řehoř, Ph.D., MBA

Vice-chairman of the Board of Directors

Ing. Jiří Kraus

Member of the Board of Directors

Ing. Jiří Petržilka

Member of the Board of Directors

Ing. Milan Špaček

Changes in the membership of the Board of Directors in 2017

Ing. Václav Řehoř, Ph.D., MBA – membership and role commenced on 1 February 2017

Ing. Jiří Kraus – role of Chairman ended and role of Vice-chairman commenced on 1 February 2017

Ing. Milan Špaček – role of Vice-chairman ended on 1 February 2017, membership continued

Supervisory Board of the Company

In 2017, the Supervisory Board had three members.

Chairman of the Supervisory Board

Ing. Petr Minařík

Vice-chairman of the Supervisory Board

Ing. Petr Šobotník

Member of the Supervisory Board

Kamil Pomahač

Changes in the membership of the Supervisory Board in 2017

Mgr. Alice Undusová – membership terminated on 7 March 2017

Ing. Petr Šobotník – membership commenced on 7 March 2017, role commenced on 4 April 2017

Eva Hlavová – membership terminated on 26 April 2017

Kamil Pomahač – membership commenced on 8 June 2017

3. Human Resources

As at 31 December 2017, Letiště Praha, a. s. had 1,995 employees.

In terms of the average number of employees in full-time equivalent units, the Company had 1,944 employees in 2017.

The Company conducts itself in compliance with valid labour legislation along with the valid Collective Agreement approved for the given period.

4. Selected Events of 2017 and Outlook for 2018

Main Events in 2017

January

- The sole shareholder of Letiště Praha, a. s. in the capacity of the General Meeting approves the increase in the number of Members of the Board of Directors of Letiště Praha, a. s. from the three original positions to four through an amendment of the Articles of Association of the Company. With effect from 1 February 2017, Václav Řehoř is appointed the fourth Member of the Board of Directors of Letiště Praha, a. s.
- Czech Airlines confirms the launch of its Prague – Malmö route, scheduled for 28 March 2017.
- Flybe confirms the launch of its Prague – London/Southend route to be operated with Stobart Air on a code share basis from 8 May 2017.
- Korean Air confirms the use of B747-8 aircraft on its Seoul – Prague route for the entire 2017 summer schedule.
- From 27 to 29 January 2017, Prague Airport representatives attend the Reisemesse Dresden exhibition. It is the first time Prague Airport is included in CzechTourism's booth.
- On 27 January 2017, the Ministry of the Environment of the Czech Republic extends the validity of its EIA Opinion regarding the planned construction of the parallel runway RWY 06R/24L by another five years (i.e. until 26 October 2021).

February

- On 1 February 2017, Václav Řehoř is elected Chairman of the Board of Directors, Jiří Kraus Vice-chairman, while Jiří Petržilka and Milan Špaček are confirmed in the roles of Members of the Board of Directors of Letiště Praha, a. s.
- Wizz Air confirms the launch of its Prague – Reykjavik, Iceland, route, scheduled for 31 May 2017.
- Ryanair confirms eight new connections from Prague to be launched effective the start of the 2017/2018 winter schedule, namely to Barcelona, Bologna, Budapest, Edinburgh, Eindhoven, Krakow, Madrid and Malaga.
- Georgian Airways confirms the launch of its Prague – Tbilisi, Georgia, route, scheduled for 22 May 2017.

March

- On 7 March 2017, the sole shareholder of Letiště Praha, a. s. in the capacity of the General Meeting recalls Alice Undusová from the Supervisory Board of Letiště Praha, a. s., and appoints Petr Šobotník as Member of the Supervisory Board with immediate effect.
- On 26 March 2017, a new summer schedule comes into effect featuring nine new destinations and direct scheduled connections to 154 destinations around the world.

April

- To commemorate the 80th anniversary of Prague Airport, a special flight is dispatched from Terminal 4 to service the Prague – Piešťany – Brno – Prague route and a Press Briefing is held by the Company to share its future development plans with the general public.

- On 10 April 2017, Prague Airport representatives meet Vietnam Airlines Europe Office's Chief Executive Officer to discuss, alongside other issues, Prague Airport's support of the Hanoi – Prague route launch.
- On 11 April 2017, a Boeing 787-9 Dreamliner in Vietnam Airlines livery lands at Václav Havel Airport Prague for the first time in the airport's history.
- On 26 April 2017, using media coverage, a new safety procedure within checked baggage control is introduced to the general public to be launched on 15 May 2017. The ETD control of checked baggage is to be performed at risk points in baggage sorting facilities in Terminals 1 and 2.

May

- Hainan Airlines confirms an increase in the number of its direct scheduled flights between Prague and Beijing to four weekly connections as of the end of August 2017.
- Air Cairo confirms the launch of its Prague – Sharm El Sheik, Egypt, route, scheduled for 26 June 2017.
- On 15 May 2017, the ETD control of checked baggage starts at Prague Airport, performed without the presence of baggage owners.

June

- On 10 and 11 June 2017, the Runway Festival to celebrate the airport's 80th anniversary is held at Václav Havel Airport Prague for the general public.
- On 19 June 2017, a Bombardier CS300 operated by Swiss Airlines on its Prague – Geneva route lands at Václav Havel Airport Prague for the first time.
- Turkish Airlines Cargo confirms the launch of its regular flights to Prague on the carrier's Riga – Prague – Istanbul route, scheduled for 1 July 2017.
- Air Cargo Global launches its regular cargo flights on the carrier's Prague – Turkmenbashi – Hongkong route.
- Lagardere Travel Retail opens a new shopping zone featuring a new concept shop, the first of its kind and the largest in the Czech Republic, at Václav Havel Airport Prague. In this connection, a partial reconstruction of the Terminal 1 entrance area is carried out.

July

- Qatar Airways confirms an earlier launch of its regular scheduled Prague – Doha, Qatar, route, scheduled for 21 August 2017.
- British Airways confirms the launch of its Prague – London/City route to be operated by the carrier's daughter company, BA CityFlyer, from the start of the winter schedule.
- China Eastern Airlines confirms the launch of its Prague – Xi'an in China route, scheduled for 29 October 2017.

August

- American Airlines confirms the launch of its Prague – Philadelphia, USA, route, scheduled for May 2018.
- Wizz Air confirms the launch of its Prague – Eilat, Israel, route, scheduled for 2 November 2017.
- Rusline confirms the launch of its Prague – Kaliningrad, Russia, route, effective the start of the winter schedule.

September

- On 15 September 2017, Hainan Airlines launches operations of its Prague – Belgrade, Serbia, route.
- Prague Airport receives the World Routes Marketing Award in the category of airports handling from 4 to 20 million passengers a year at the World Routes conference held in Barcelona from 23 to 26 September 2017.

- Prague Airport receives the EASA Certificate pursuant to Regulation EC No. 139/2014 from the Civil Aviation Authority of the Czech Republic, confirming that the airport complies with the strict EASA safety rules.

October

- Wizz Air confirms the launch of its Prague – Kutaisi, Georgia, route, scheduled for 19 May 2018.
- Scandinavian Airlines System confirms the launch of its Prague – Oslo, Norway, route, scheduled for 29 March 2018.
- On 29 October 2017, a new winter schedule comes into effect at Václav Havel Airport Prague with validity until 24 March 2018, offering regular scheduled connections to 112 destinations in 41 countries worldwide.
- On 30 October 2017, Ryanair launches operations of its new Prague – Eindhoven, the Netherlands, route.
- Honey produced by Prague Airport is awarded two gold medals in the Czech Honey 2017 contest, held annually by the Czech Beekeepers Association.
- The sole shareholder of Letiště Praha, a. s. in the capacity of the General Meeting approves the increase in the number of Members of the Board of Directors of Letiště Praha, a. s. from four to five through amendment of the Articles of Association of the Company. Effective 1 January 2018, Petr Pavelec is appointed the fifth Member of the Board of Directors.

November

- Cyprus Airways confirms the launch of its Prague – Larnaca, Cyprus, route, scheduled for 1 June 2018.
- According to the ACI Europe Airport Traffic Report, in the third quarter of 2017, Václav Havel Airport Prague ranks as the fifth fastest growing airport in Europe in the category of 10 to 25 million handled passengers a year.

December

- Prague Airport selects KFC to be the new fast food provider in the Terminal 1 and 2 connecting corridor, replacing the McDonald's franchise after 10 years. The ceremonial launch of operations of the new restaurant takes place on 12 December 2017.
- easyJet confirms the launch of its Prague – London/Southend route, scheduled for 27 July 2018.
- Prague Airport receives the Level 3 Certificate by the Airport Carbon Accreditation initiative, thus fulfilling its environment protection goal set in 2012.
- On 21 December 2017, Václav Havel Airport Prague exceeds the 15-millionth passenger handled per year mark, recording the greatest number of handled passengers a year in its 80-year history.

Subsequent Events in 2018 until the signing of the Annual Report

January

- Ryanair confirms that the carrier will launch a new Prague – Paris route effective the end of October 2018.
- On 30 January 2018, a Press Briefing is held at the Terminal 1 Congress Centre on the occasion of the finalisation of the project Ensuring increased safety and security at Václav Havel Airport Prague.

February

- Ryanair confirms that the carrier will launch a new Prague – Amman, Jordan, route, effective the end of October 2018.
- The sole shareholder of Letiště Praha, a. s. in the capacity of the General Meeting approves the termination of Jiří Petržílka's role of Member of the Board of Directors and appoints Radek Hovorka a new Member of the Board of Directors of Letiště Praha, a. s., effective 1 March 2018.

March

- On 1 March 2018, Radek Hovorka is elected Vice-chairman of the Board of Directors of Letiště Praha, a. s., while Jiří Kraus assumes the position of Member of the Board of Directors.

An outlook for 2018

Letiště Praha, a. s. strives to strengthen its position of the main provider of international air transport services within its catchment area and the position of a preferred transfer hub.

Following 2017, a record year in terms of the number of handled passengers, Letiště Praha, a. s. expects passenger numbers to continue to grow further in 2018. As a result, preparatory investments aimed at increasing the airport's capacity will be made in 2018. Work on the development concept of AirportCity, with the goal of enhancing the airport's attractiveness for travellers and users of its infrastructure and of fully using the Landside potential in the immediate airport vicinity, will also continue. Concurrently, the range of services for passengers will be expanded to ensure that Václav Havel Airport Prague is perceived as a pleasant place that provides services of the highest quality, harnessing the best technology available.

The Company will continue to actively seek opportunities to work with air carriers on launching new direct routes (with the support of long-haul routes) and to increase frequencies of existing connections. One of the key 2018 activities in the Aviation Business department will be a plan to involve selected air carriers in the emerging product called "viaPrague".

The maintenance of a sustainably high level of security and safety based on both strict adherence to the legal requirements and the continued proactive evaluation and management of risks is the primary goal in the areas of protection against unlawful acts and operational safety. The applied safety technologies, personnel requirements and safety procedures are set in a way so as to factor in the best European and world practices. The emphasis on safe, secure and reliable airport operations is a key strategic priority of Letiště Praha, a. s.

In 2018, Letiště Praha, a. s. will focus on the further development of its commercial activities and improvements to the airport environment for passengers. At the same time, plans for future increases in airport capacity will be specified and initial projects will be launched in 2018. In its operations, the Company will continue to place emphasis on the efficient use of resources and the search for the ways of increasing revenue.

The next priority set by the Company for 2018 remains the implementation of the merger of Letiště Praha, a. s. and Český Aeroholding, a.s., driven mainly by the effort to simplify the organisational and administrative structure of Český Aeroholding Group, thus achieving increased synergies and efficiency of the management of all Group activities, and the reduction of operational and administrative costs.

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

In the period from 1 January 2017 to 31 December 2017, Letiště Praha, a. s. received eight submissions identified as requests for information pursuant to Act No. 106/1999 Coll., on Free Access to Information, as amended (hereinafter referred to as the "Act").

The number of issued Decisions on the requests for information: 8

The number of issued Decisions declining the request: 0

The number of issued Decisions deferring the request: 2

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

The number of complaints regarding processing of requests for information: 0

In the reporting period from 1 January 2017 to 31 December 2017, Letiště Praha, a. s. did not receive any reimbursement of costs associated with the provision of information pursuant to the Act.

In the reporting period from 1 January 2017 to 31 December 2017, Letiště Praha, a. s. was not involved in litigation regarding requests for information pursuant to the Act, and thus did not incur any costs for legal representation in connection with legal proceedings relating to rights and obligations under the Act.

In the given period from 1 January 2017 to 31 December 2017, Letiště Praha, a. s. did not provide any information subject to copyright protection under a license or sub-license agreement pursuant to the provision of Section 14a of the Act.

6. Responsibility for the Annual Report

The Board of Directors declares that the information included in the Annual Report for 2017 corresponds to the real situation and gives a true and fair view of the Company's financial position, business activities and results of its operations for the previous accounting period and that no fundamental circumstances were omitted that might affect the precise and correct assessment of the performance, activities and economic position of Letiště Praha, a. s.

In Prague on 29 March 2018



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



Ing. Radek Hovorka
Vice-chairman of the Board of Directors
Letiště Praha, a. s.

7. Annexes

- The Financial Statements of Letiště Praha, a. s. according to the Czech Accounting Standards as at 31 December 2017
 - The Balance Sheet as at 31 December 2017
 - The Profit and Loss Statement for the period ended on 31 December 2017
 - The Statement of Changes in Equity for the period ended on 31 December 2017
 - The Cash-Flow Statement for the period ended on 31 December 2017
 - Notes to the Financial Statements for the period ended on 31 December 2017
- Report of the Supervisory Board of Letiště Praha, a. s. for 2017
- Report of the Statutory Body of the Company on Relations for 2017
- Independent Auditor's Report to the Shareholder of the Company

Financial Statements

For the Year Ended 31 December 2017

LETIŠTĚ PRAHA, A. S.
BALANCE SHEET IN FULL VERSION
AS AT 31.12.2017 (IN THOUSAND CZK)

		31.12.2017			31.12.2016
		Gross	Adjustment	Net	Net
	TOTAL ASSETS	10,894,878	(4,587,335)	6,307,543	5,132,244
B.	Fixed assets	7,269,452	(4,571,922)	2,697,530	2,413,518
B.I.	Intangible fixed assets	62,834	(31,623)	31,211	28,159
2.	Royalties	58,951	(31,623)	27,328	24,174
2.1.	Software	25,829	(18,561)	7,268	2,667
2.2.	Other royalties	33,122	(13,062)	20,060	21,507
4.	Other intangible fixed assets	2,751	-	2,751	3,179
5.	Advances paid and intangible fixed assets in the course of construction	1,132	-	1,132	806
5.2.	Intangible fixed assets in the course of construction	1,132	-	1,132	806
B.II.	Tangible fixed assets	7,206,618	(4,540,299)	2,666,319	2,385,359
1.	Land and constructions	1,705,799	(356,642)	1,349,157	1,129,130
1.2.	Constructions	1,705,799	(356,642)	1,349,157	1,129,130
2.	Equipment	5,304,517	(4,183,657)	1,120,860	1,106,304
4.	Other tangible fixed assets	67	-	67	67
5.	Advances paid and tangible fixed assets in the course of construction	196,235	-	196,235	149,858
5.2.	Tangible fixed assets in the course of construction	196,235	-	196,235	149,858
C.	Current assets	3,106,063	(15,413)	3,090,650	2,271,552
C.I.	Inventories	455,146	(6,172)	448,974	445,088
1.	Raw materials	30,645	(6,172)	24,473	28,106
2.	Work in progress and semi-finished products	420,000	-	420,000	413,130
3.	Finished goods and goods for resale	3,652	-	3,652	2,900
4.	Immature livestock	742	-	742	733
5.	Advances paid for inventory	107	-	107	219
C.II.	Receivables	985,754	(9,241)	976,513	803,185
1.	Long-term receivables	108	-	108	108
1.1.	Trade receivables	108	-	108	108
2.	Short-term receivables	985,646	(9,241)	976,405	803,077
2.1.	Trade receivables	847,934	(9,214)	838,720	681,972
2.4.	Receivables - other	137,712	(27)	137,685	121,105
2.4.3.	Taxes - receivables from the state	81,487	-	81,487	73,485
2.4.4.	Short-term advances paid	38,139	-	38,139	34,399
2.4.5.	Estimated receivables	16,152	-	16,152	11,298
2.4.6.	Other receivables	1,934	(27)	1,907	1,923
C.IV.	Cash	1,665,163	-	1,665,163	1,023,279
1.	Cash in hand	5,926	-	5,926	6,021
2.	Cash at bank	1,659,237	-	1,659,237	1,017,258
D.I.	Prepayments and accrued income	519,363	-	519,363	447,174
1.	Prepaid expenses	518,863	-	518,863	446,174
3.	Accrued income	500	-	500	1,000

LETIŠTĚ PRAHA, A. S.
BALANCE SHEET IN FULL VERSION
AS AT 31.12.2017 (IN THOUSAND CZK)

		31.12.2017	31.12.2016
	TOTAL LIABILITIES AND EQUITY	6,307,543	5,132,244
A.	Equity	5,168,088	4,171,902
A.I.	Share capital	2,512,227	2,512,227
1.	Share capital	2,512,227	2,512,227
A.II.	Share premium and capital contributions	35	35
2.	Capital contributions	35	35
A.IV.	Retained earnings / Accumulated losses	609,640	-
1.	Retained earnings	609,640	-
A.V.	Profit / (loss) for the current period	2,046,186	1,659,640
B.+C.	Liabilities	1,061,130	894,420
B.	Provisions	136,955	94,407
2.	Income tax provision	116,884	73,945
4.	Other provisions	20,071	20,462
C.	Liabilities	924,175	800,013
C.I.	Long-term liabilities	257,790	233,738
4.	Trade payables	133,735	102,427
8.	Deferred tax liability	124,055	131,311
C.II.	Short-term liabilities	666,385	566,275
3.	Short-term advances received	13,503	9,565
4.	Trade payables	335,088	264,642
8.	Liabilities - other	317,794	292,068
8.3.	<i>Liabilities to employees</i>	59,705	56,870
8.4.	<i>Liabilities for social security and health insurance</i>	35,181	32,746
8.5.	<i>Taxes and state subsidies payable</i>	13,722	13,879
8.6.	<i>Estimated payables</i>	207,359	186,756
8.7.	<i>Other liabilities</i>	1,827	1,817
D.	Accruals and deferred income	78,325	65,922
1.	Accrued expenses	74,301	58,655
2.	Deferred income	4,024	7,267

LETIŠTĚ PRAHA, A. S.
**PROFIT AND LOSS ACCOUNT STRUCTURED BY NATURE OF EXPENSE METHOD
FOR THE PERIOD FROM 1.1.2017 TO 31.12.2017 (IN THOUSAND CZK)**

		2017	2016
I.	Sales of products and services	7,346,925	6,416,830
II.	Sales of goods	21,901	23,137
A.	Cost of sales	3,076,191	2,875,444
1.	Cost of goods sold	12,464	10,780
2.	Raw materials and consumables used	424,089	428,766
3.	Services	2,639,638	2,435,898
B.	Changes in inventories of finished goods and work in progress	11,257	58,989
C.	Own work capitalised	7,043	3,523
D.	Staff costs	1,367,265	1,200,322
1.	Wages and salaries	974,561	854,120
2.	Social security, health insurance and other social costs	392,704	346,202
2.1.	<i>Social security and health insurance costs</i>	332,669	293,308
2.2.	<i>Other social costs</i>	60,035	52,894
E.	Value adjustments in operating activities	354,752	314,896
1.	Value adjustments of fixed assets	356,830	318,078
1.1.	<i>Depreciation, amortisation and write off of fixed assets</i>	354,366	318,078
1.2.	<i>Provision for impairment of fixed assets</i>	2,464	-
2.	Provision for impairment of inventories	896	(1,567)
3.	Provision for impairment of receivables	(2,974)	(1,615)
III.	Operating income - other	85,071	65,310
1.	Sales of fixed assets	9,162	2,694
2.	Sales of raw materials	50,831	45,002
3.	Other operating income	25,078	17,614
F.	Operating expenses - other	119,961	114,640
1.	Net book value of fixed assets sold	1,699	219
2.	Net book value of raw materials sold	46,907	41,423
3.	Taxes and charges from operating activities	6,390	3,559
4.	Operating provisions and complex prepaid expenses	(391)	5,599
5.	Other operating expenses	65,356	63,840
*	Operating result	2,554,028	2,062,487
VI.	Interest and similar income	245	1,817
2.	Other interest and similar income	245	1,817
J.	Interest and similar expenses	-	3
2.	Other interest and similar income	-	3
VII.	Other financial income	-	1
K.	Other financial expenses	11,029	2,119
*	Financial result	(10,784)	(304)
**	Net profit / (loss) before taxation	2,543,244	2,062,183
L.	Tax on profit or loss	497,058	402,543
1.	Tax on profit or loss - current	504,314	407,005
2.	Tax on profit or loss - deferred	(7,256)	(4,462)
**	Net profit / (loss) after taxation	2,046,186	1,659,640
***	Net profit / (loss) for the financial period	2,046,186	1,659,640
*	Net sales for the financial period	7,454,142	6,507,095

LETIŠTĚ PRAHA, A. S.
CASH FLOW STATEMENT
FOR THE PERIOD FROM 1.1.2017 TO 31.12.2017 (IN THOUSAND CZK)

		2017	2016
	Cash flows from operating activities		
	Net profit on ordinary activities before tax	2,543,244	2,062,183
A.1	Adjustments for non-cash movements	350,603	318,873
A.1.1	Depreciation and amortisation of fixed assets and receivables written off	358,558	320,775
A.1.2	Change in provisions	(5)	2,417
A.1.3	(Profit)/loss from disposal of fixed assets	(7,463)	(2,475)
A.1.5	Net interest expense/(income)	(245)	(1,814)
A.1.6	Other non-cash movements	(242)	(30)
A*	Net cash flow from operating activities before tax and changes in working capital	2,893,847	2,381,056
A.2	Working capital changes	(194,499)	(100,163)
A.2.1	Change in receivables and prepayments	(246,659)	(61,482)
A.2.2	Change in short-term payables and accruals	58,888	15,549
A.2.3	Change in inventories	(6,728)	(54,230)
A**	Net cash flow from operating activities before tax	2,699,348	2,280,893
A.3	Interest paid	-	(3)
A.4	Interest received	245	1,817
A.5	Income tax paid	(461,375)	(420,382)
A***	Net cash flow from operating activities	2,238,218	1,862,325
	Cash flows from investing activities		
B.1	Acquisition of fixed assets	(563,559)	(448,052)
B.2	Proceeds from sale of fixed assets	9,162	2,694
B***	Net cash flow from investing activities	(554,397)	(445,358)
	Cash flows from financing activities		
C.1	Change in long- and short-term liabilities	8,063	3,032
C.2	Changes in equity	(1,050,000)	(1,435,850)
C.2.6	Dividends paid	(1,050,000)	(1,435,850)
C***	Net cash flow from financing activities	(1,041,937)	(1,432,818)
	Net increase/(decrease) in cash and cash equivalents	641,884	(15,851)
	Cash and cash equivalents at the beginning of the year	1,023,279	1,039,130
	Cash and cash equivalents at the end of the year	1,665,163	1,023,279

LETIŠTĚ PRAHA, A. S.

STATEMENT OF CHANGES OF EQUITY

FOR THE PERIOD FROM 1.1.2017 TO 31.12.2017 (IN THOUSAND CZK)

	Share capital	Share premium and other capital contributions	Retained earnings and profit or loss for the current period	Total
Balance as at 31 December 2015	2,512,227	35	1,435,850	3,948,112
Dividend paid	-	-	(1,435,850)	(1,435,850)
Net profit for the period	-	-	1,659,640	1,659,640
Balance as at 31 December 2016	2,512,227	35	1,659,640	4,171,902
Dividend paid	-	-	(1,050,000)	(1,050,000)
Net profit for the period	-	-	2,046,186	2,046,186
Balance as at 31 December 2017	2,512,227	35	2,655,826	5,168,088

Notes to the Financial Statements

For the Year Ended 31 December 2017

1. General Information

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

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

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

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

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

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

The Company is part of the consolidation group of Český Aeroholding, a.s.

2. Accounting Principles

a) Basis of Preparation of Financial Statements

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

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

b) Intangible Fixed Assets

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

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

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

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

2. Accounting Principles (continued)

b) Intangible Fixed Assets (continued)

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

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

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

c) Tangible Fixed Assets

Tangible fixed assets include assets with an estimated useful life longer than one year and an acquisition cost exceeding CZK 1 thousand on an individual basis. Tangible assets with an acquisition cost of less than CZK 1 thousand on an individual basis are expensed upon acquisition.

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

Tangible fixed assets manufactured internally are recorded at own cost.

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

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

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

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

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

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

d) Inventories

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

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

2. Accounting Principles (continued)

d) Inventories (continued)

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

e) Receivables

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

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

f) Cash Flow

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

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

g) Foreign Currency Translations

Transactions denominated in foreign currencies during the accounting period are translated and recorded at the exchange rate of the Czech National Bank ruling a day before the transaction date.

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

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

h) Revenue and Expense Recognition

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

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

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

i) Provisions

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

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

2. Accounting Principles (continued)

j) Employee Benefits

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

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

The liability from untaken holidays is recognised as an estimated payable. The liability from other employee benefits and bonuses is either recognised as a provision or as an estimated payable.

k) Liabilities

Trade payables are recorded in their nominal value.

l) Interest Costs

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

All other interest costs are expensed on an accrual basis.

m) Taxation

Depreciation of Fixed Assets for Tax Purposes

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

Current Tax Payable

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

Deferred Taxation

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

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

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

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

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

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

2. Accounting Principles (continued)

n) Estimates

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

o) Related Parties

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

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

p) Equity

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

q) Subsequent Events

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

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

r) Changes in the Accounting Policies

The Company changed the recognition method for foreign exchange gains and losses in 2017. The foreign exchange gains and losses are newly offset and reported on an aggregate net basis. The 2016 comparatives were adjusted accordingly.

3. Basis for Preparation of Financial Statements

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

4. Intangible Fixed Assets

Cost CZK'000	Software	Other royalties	Other intangible fixed assets	Intangible fixed assets in the course of construction	Total
1 January 2016	29,721	19,765	4,350	1,664	55,500
Additions/transfers	557	13,060	558	(858)	13,317
Disposals	(10,725)	(4,915)	(1,729)	-	(17,369)
31 December 2016	19,553	27,910	3,179	806	51,448
Addition/transfers	6,327	5,212	1,206	372	13,117
Disposals	(51)	-	(1,634)	(46)	(1,731)
31 December 2017	25,829	33,122	2,751	1,132	62,834

Accumulated amortisation and impairment CZK'000	Software	Other royalties	Other intangible fixed assets	Intangible fixed assets in the course of construction	Total
1 January 2016	25,764	8,168	-	-	33,932
Additions	1,847	3,150	-	-	4,997
Disposals	(10,725)	(4,915)	-	-	(15,640)
31 December 2016	16,886	6,403	-	-	23,289
Additions	1,465	6,659	-	-	8,124
Disposals	(51)	-	-	-	(51)
Increase of impairment	261	-	-	-	261
31 December 2017	18,561	13,062	-	-	31,623

Net book value CZK'000	Software	Other royalties	Other intangible fixed assets	Intangible fixed assets in the course of construction	Total
31 December 2016	2,667	21,507	3,179	806	28,159
31 December 2017	7,268	20,060	2,751	1,132	31,211

The additions to accumulated amortisation in 2017 mainly include the current year's amortisation in the amount of CZK 8,124 thousand (2016: CZK 4,698 thousand).

5. Tangible Fixed Assets

Cost CZK'000	Constructions	Equipment	Other tangible fixed assets	Tangible fixed assets in the course of construction	Total
1 January 2016	1,116,146	5,275,263	67	70,413	6,461,889
Additions/transfers	272,974	157,259	-	79,445	509,678
Disposals	-	(215,177)	-	-	(215,177)
31 December 2016	1,389,120	5,217,345	67	149,858	6,756,390
Additions/transfers	316,679	268,051	-	47,497	632,227
Disposals	-	(180,879)	-	(1,120)	(181,999)
31 December 2017	1,705,799	5,304,517	67	196,235	7,206,618

Accumulated depreciation and impairment CZK'000	Constructions	Equipment	Other tangible fixed assets	Tangible fixed assets in the course of construction	Total
1 January 2016	184,349	4,088,273	-	-	4,272,622
Additions	75,641	237,945	-	-	313,586
Disposals	-	(215,177)	-	-	(215,177)
31 December 2016	259,990	4,111,041	-	-	4,371,031
Additions	94,449	253,495	-	-	347,944
Disposals	-	(180,879)	-	-	(180,879)
Increase of impairment	2,203	-	-	-	2,203
31 December 2017	356,642	4,183,657	-	-	4,540,299

Net book value CZK'000	Constructions	Equipment	Other tangible fixed assets	Tangible fixed assets in the course of construction	Total
31 December 2016	1,129,130	1,106,304	67	149,858	2,385,359
31 December 2017	1,349,157	1,120,860	67	196,235	2,666,319

The additions to accumulated depreciation in 2017 mainly include the current year's depreciation in the amount of CZK 346,188 thousand (2016: CZK 313,380 thousand).

The Company has no pledged assets as at 31 December 2017 and 2016.

6. Inventories

A provision for obsolete and slow moving inventory was recorded in the amount of CZK 6,172 thousand as at 31 December 2017 (CZK 5,277 thousand as at 31 December 2016).

Work in progress represents construction contracts for third parties in the amount of CZK 420,000 thousand as at 31 December 2017 (CZK 413,130 thousand as at 31 December 2016).

7. Receivables

CZK '000		31 December 2017	31 December 2016
Short-term receivables			
Trade receivables	- current	779,018	640,884
	- overdue	68,916	53,243
Other receivables	- current	137,681	121,101
	- overdue	31	64
Short-term receivables total		985,646	815,292
Allowance for doubtful receivables		(9,241)	(12,215)
Net short-term receivables		976,405	803,077
Long-term receivables			
Trade receivables	- current	108	108
Long-term receivables total		108	108
Net receivables total		976,513	803,185

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

The Company has neither receivables nor contingent receivables recorded off the balance sheet.

8. Other assets

Prepaid expenses include prepaid rent to Český Aeroholding, a.s. in the amount of CZK 457,525 thousand as at 31 December 2017 (CZK 437,456 thousand as at 31 December 2016) and prepaid asset management fee mainly related to the newly opened walk-through duty free zone in terminal 1 in the amount of CZK 60,014 thousand as at 31 December 2017 (CZK 5,258 thousand as at 31 December 2016). Prepaid expenses are charged to expenses based on the accrual principal.

9. Equity

Authorised and issued Share Capital

	31 December 2017		31 December 2016	
	No.	Carrying value	No.	Carrying value
	(pcs)	(CZK '000)	(pcs)	(CZK '000)
Ordinary shares in the nominal value of CZK 100 each, fully paid	25,122,271	2,512,227	25,122,271	2,512,227

The sole shareholder of the Company is Český Aeroholding, a.s. based in Praha 6, Jana Kašpara 1069/1, Postal Code 160 08. Český Aeroholding, a.s. is consolidating unit preparing consolidated financial statements of the largest group of entities to which the Company belongs. Consolidated financial statements are published in the Collection of Documents of the Commercial Register. The ultimate owner of the Company is the Czech Republic represented by the Ministry of Finance.

The following distribution of 2016 profit in the amount of CZK 1,659,640 thousand was approved by the General Meeting of Shareholders held on 26 May 2017: the amount of CZK 1,050,000 thousand was distributed to the sole shareholder in the form of a dividend and the amount of CZK 609,640 thousand was transferred to the retained earnings.

Until the date of preparation of these financial statements, the Company has not proposed distribution of the profit earned in 2017.

10. Provision

CZK '000	Income tax	Legal disputes and other business risks	Employee benefits and remuneration	Total
Opening balance as at 1 January 2016	87,322	534	14,329	102,185
Charge for the year	405,048	437	6,566	412,051
Reversed	-	-	-	-
Utilized	(87,322)	(234)	(1,170)	(88,726)
Income tax advances	(331,103)	-	-	(331,103)
Closing balance as at 31 December	73,945	737	19,725	94,407
Charge for the year	501,975	400	13,956	516,331
Reversed	-	(284)	-	(284)
Utilized	(73,945)	(44)	(14,419)	(88,408)
Income tax advances	(385,091)	-	-	(385,091)
Closing balance as at 31 December	116,884	809	19,262	136,955

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

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

11. Payables

CZK '000	31 December 2017	31 December 2016
Short-term payables		
Trade payables - current	327,595	262,081
- overdue	7,493	2,561
- of which payables within the consolidation group	39,780	48,374
Trade payables total	335,088	264,642
Short-term advances received	13,503	9,565
Other payables - current	317,794	292,068
- of which payables within the consolidation group	19,538	7,521
Short-term payables total	666,385	566,275
Long-term payables		
Trade payables	133,735	102,427
- of which payables within the consolidation group	834	-
Deferred tax liability	124,055	131,311
Long-term liabilities total	257,790	233,738
Short-term and long-term liabilities total	924,175	800,013

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

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

Long-term trade payables include retainage and principals received from airlines.

11. Payables (continued)

Estimated payables include the expenses related to marketing incentives for airlines in the amount of CZK 79,606 thousand as at 31 December 2017 (CZK 50,147 thousand as at 31 December 2016), unsettled donations to municipalities in the amount of CZK 32,976 thousand (CZK 31,173 thousand as at 31 December 2016), unbilled acquisition of fixed assets in the amount of CZK 29,038 thousand (CZK 44,361 thousand as at 31 December 2016) and other unbilled operating expenses.

12. Other Liabilities

Accrued expenses include unbilled acquisition of fixed assets in the amount of CZK 31,612 thousand (CZK 16,115 thousand as at 31 December 2016).

Accrued expenses relating to the companies within the consolidation group as at 31 December 2017 equalled CZK 26,831 thousand (CZK 10,906 thousand as at 31 December 2016).

Deferred income mainly includes accrued rent and parking revenues.

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

Deferred income relating to the companies within the consolidation group as at 31 December 2017 equalled CZK 39 thousand (CZK 1,169 thousand as at 31 December 2016).

13. Income Tax

The income tax expense analysis:

CZK'000	2017	2016
Current tax expense	501,975	405,048
Adjustment of prior year tax expense based on final CIT return	2,339	1,957
Deferred tax expense/(revenue)	(7,256)	(4,462)
Total income tax expense	497,058	402,543

The deferred tax liability can be analysed as follows:

CZK'000	31 December 2017	31 December 2016
Deferred tax liability arising from:		
Difference between accounting and tax net book value of fixed assets	(133,383)	(140,203)
Deferred tax asset arising from:		
Provision and estimated payables	7,077	7,243
Allowances and other temporary differences	2,251	1,649
Net deferred tax liability	(124,055)	(131,311)

14. Revenue Analysis

Revenues from the main activities:

CZK'000	2017	2016
Air traffic operations – mainly airline fees	5,594,272	4,835,442
Trading activities – real estate management, rent, parking	1,774,554	1,604,525
Total	7,368,826	6,439,967

All revenues are generated in the Czech Republic.

15. Employees

Staff costs in 2017:

	Average recalculated number of employees	CZK '000
Salaries of the members of Board of Directors and Supervisory Board	7	20,384
Wages and salaries of other employees	1,944	954,177
Social security and health insurance costs		332,669
Social costs		60,035
Staff costs total	1,951	1,367,265

Staff costs in 2016:

	Average recalculated number of employees	CZK '000
Salaries of the members of Board of Directors and Supervisory Board	6	10,482
Wages and salaries of other employees	1,798	843,638
Social security and health insurance costs		293,308
Social costs		52,894
Staff costs total	1,804	1,200,322

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

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

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

In 2017 and 2016, the members of the Supervisory Board and the members of the Board of Directors received regular monthly remuneration in accordance with applicable agreements, which were approved by the Ministry of Finance. The members of the Board of Directors further received a remuneration based on the fulfilment of assigned annual and medium-term KPIs.

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

Except for the benefits mentioned above, no other financial or non-financial benefits were provided in 2017 and 2016 to the founder, members of statutory and supervisory bodies or the Company's management.

16. Related Party Transactions

Purchases and sales within the consolidation group:

CZK '000	2017		2016	
	Purchases	Sales	Purchases	Sales
Český Aeroholding, a.s.	1,803,920	1,149,134	1,738,670	999,804
Czech Airlines Technics, a.s.	562	68,692	509	66,459
Czech Airlines Handling, a.s.	8,754	153,565	8,829	150,981
Realitní developerská, a.s.	-	12	-	12
Sky Venture a.s.	-	15	-	15
Whitelines Industries a.s.	-	15	-	15

In 2017, the Company paid a dividend to Český Aeroholding, a.s. in the amount of CZK 1,050,000 thousand (2016: CZK 1,435,850 thousand).

České aerolinie a.s. was included in the consolidation group from January to October 2016. Purchases from České aerolinie a.s. from January to October 2016 equalled CZK 13,234 thousand, sales to České aerolinie a.s. from January to October 2016 equalled CZK 646,905 thousand.

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

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

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

17. Fees Paid and Payable to the Audit Company

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

18. Commitments

On 1 October 2011, the Company concluded an agreement on rent and provision of services with the parent company Český Aeroholding, a.s. Based on the agreement, the Company leases real estate in order to operate the international Václav Havel airport Prague. The agreement was concluded for 30 years commencing on 1 October 2011. The rent resulting from this agreement equalled CZK 1,355,085 thousand in 2017.

19. Contingent Liabilities

Management of the Company is not aware of any contingent liabilities as at 31 December 2017 and 2016.

20. Cash Flow Statement

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

CZK'000	31 December 2017	31 December 2016
Cash in hand, vouchers and cash in transit	5,926	6 021
Cash at bank	1,659,237	1,017,258
Total	1,665,163	1,023,279

21. Subsequent Events

On 1 January 2018, JUDr. Petr Pavelec became a new member of the Board of Directors.

On 1 March 2018, Ing. Jiří Petržilka left the Board of Directors. Ing. Radek Hovorka became a new vice-chairman of the Board of Directors.

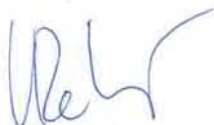
New composition of the Board of Directors:

	Position
Ing. Václav Řehoř, Ph.D., MBA	chairman
Ing. Radek Hovorka	vice-chairman
Ing. Jiří Kraus	member
Ing. Milan Špaček	member
JUDr. Petr Pavelec	member

In 2018, there is a plan to merge Český Aeroholding, a.s. with the acquiring company Letiště Praha, a. s., driven mainly by the effort to simplify the organisational and administrative structure of the Český Aeroholding Group.

No other events have occurred subsequent to year-end that would have a material impact on the financial statements as at 31 December 2017.

29 March 2018



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



Ing. Radek Hovorka
Vice-Chairman of the Board of Directors
Letiště Praha, a. s.

Supervisory Board Report for 2017

1. Supervisory Board Meetings

In the course of 2017, the Supervisory Board of Letiště Praha, a. s. (hereinafter referred to as "the Company") met at ten scheduled meetings held at the Company's registered office.

In 2018, the Supervisory Board convened twice before the signing date of this Report.

2. Members of the Supervisory Board

Members of the Supervisory Board as of 31 December 2017

Supervisory Board	Role
Petr Minařík	Chairman
Petr Šobotník	Vice-Chairman
Kamil Pomahač	Member

Personnel changes to the Supervisory Board in 2017

Supervisory Board	Role	Commencement	Termination
Alice Undusová	Vice-Chairperson	31 October 2014	7 March 2017
Petr Šobotník	Member	7 March 2017	
	Vice-Chairman	4 April 2017	continues
Eva Hlavová	Member	26 April 2013	26 April 2017
Kamil Pomahač	Member	8 June 2017	continues

3. Work of the Supervisory Board in the Reporting Period

The responsibilities of the Supervisory Board are laid down by the Act No. 90/2012 Coll., on Business Corporations and Cooperatives (hereinafter also as the Act on Business Corporations).

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

At its meetings, the Supervisory Board regularly discussed the economic performance of the Company and the compliance with the approved financial plan.

The Supervisory Board verified and oversaw the financial management of investments. It also expressed its position on the financial plan and was presented an updated investment plan.

As necessary, the Supervisory Board deliberated on the issues that are, in accordance with the applicable legislation, subject to a decision by the sole shareholder acting in the capacity of the General Meeting of the Company, giving respective recommendations.

The Supervisory Board was informed, on a case by case basis, about the results of internal audit activities, primarily the main findings and recommendations outlined during the audits performed, and about the implementation of the corrective measures resulting from the audits. In this manner, the Supervisory Board was informed of the identified shortcomings and of the procedure aimed at their correction, especially with respect to the efficiency of the internal control mechanisms. The Supervisory Board was also informed about the annual summary report on risk management, risk profiles and the level of risk management.

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

Within its meetings, the Supervisory Board had been kept informed about key developments in the Company, about the plans of the Board of Directors and the results of its meetings by the Chairman of the Board of Directors, who regularly attended the Supervisory Board meetings. When necessary, other executive staff of the Company responsible for the activities under discussion by the Supervisory Board were also invited to attend the meetings.

In Prague on 6 March 2018



Petr Minařík

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

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

Drafted by Letiště Praha, a. s. Board of Directors pursuant to Section 82, Chapter 1 of Act No. 90/2012 Coll., as amended, on Business Corporations and Cooperatives (the Business Corporations Act) for the reference period from 1 January 2017 to 31 December 2017.

SECTION I

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

1. Controlled Entity

Letiště Praha, a. s.

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

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

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

2. Controlling Entity

Český Aeroholding, a.s.

With its registered seat at: Jana Kašpara 1069/1, Prague 6 - Ruzyně, Post Code: 160 08,
Company Identification Number: 248 21 993,
Registered in the Commercial Register administered by the Municipal Court in Prague, Section B,
Entry 17005

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

The Controlling Entity is a Business Corporation 100% owned by the Czech Republic through the Ministry of Finance and primarily focuses on coordination, financial and strategic management, the implementation of synergies, and the provision of shared services within the Czech Aeroholding Group. Its scope of business is outlined in detail in the company's Articles of Association.

3. Other Entities Controlled by the Same Controlling Entity

(hereinafter referred to as “the Related Entities”)

1. Czech Airlines Handling, a.s.

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

The company focuses primarily on providing handling services at the international civil airport, Václav Havel Airport Prague. Its scope of business is outlined in detail in the company's Articles of Association.

2. Czech Airlines Technics, a.s.

With its registered seat at: Jana Kašpara 1069/1, Prague 6 - Ruzyně, Post Code: 160 08,
Company Identification Number: 27145573,
Registered in the Commercial Register administered by the Municipal Court in Prague, Section B,
Entry 9307.

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

3. B. aircraft, a.s.

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

The company focuses primarily on providing operating leasing of aircrafts. Its scope of business is outlined in detail in the company's Articles of Association.

4. Realitní developerská, a.s.

With its registered seat at: Jana Kašpara 1069/1, Prague 6 - Ruzyně, Post Code: 161 00,
Company Identification Number: 271 74 166,
Registered in the Commercial Register administered by the Municipal Court in Prague, Section B,
Entry 9512.

The company focuses on management of real estate intended for the construction of a parallel runway of Václav Havel Airport Prague. Its scope of business is outlined in detail in the company's Articles of Association.

SECTION II

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

1. Personal Union

As at the date of drafting this report, the Controlled Entity, acting with due diligence, is aware of the following:

Ing. Václav Řehoř, Ph.D., MBA, resided at Chuderov, No.: 121, Post Code: 400 02, has, since 27 June 2014, been a Member of the Board of Directors of the Controlling Entity, in which he has held the post of Chairman since 24 July 2014; since 1 February 2017, Chairman of the Board of Directors of the Controlled Entity; since 1 June 2016, Vice-Chairman of the Supervisory Board of the Related Entity of Czech Airlines Handling, a.s. and since 1 October 2015, Vice-Chairman of the Supervisory Board of the Related Entity of Czech Airlines Technics, a.s.

Ing. Radek Hovorka, resided at Boloňská 603/21, Prague 10, Post Code: 109 00, has, since 1 April 2016, been the Vice-Chairman of the Board of Directors of the Controlling Entity and Chairman of the Supervisory Boards of the Related Entities of Czech Airlines Handling, a.s., Czech Airlines Technics, a.s., B. aircraft, a.s., and Realitní developerská, a.s.

JUDr. Petr Pavelec, LL. M., resided at Na Vyhlídce 294, Vyšší Brod, Post Code: 382 73, has, since 27 June 2014, been a Member of the Board of Directors of the Controlling Entity; since 1 June 2016, Member of the Supervisory Board of the Related Entity of Czech Airlines Handling, a.s.; since 1 August 2014, Member of the Supervisory Boards of the Related Entities of Czech Airlines Technics, a.s., and Realitní developerská, a.s. and, since 1 August 2014, Member of the Supervisory Board of the Related Entity of B. aircraft, a.s., in which he has held the post of Vice-Chairman since 13 August 2014.

Mgr. Jaroslav Petržela, resided at Oradourská 79, Lidice, Post Code: 273 54, has, since 1 November 2016, been a Member of the Board of Directors of the Related Entity of Realitní developerská, a.s. and, since 1 December 2014, Chairman of the Board of Directors of the Related Entity of B. aircraft, a.s.

Ing. Petr Doberský, resided at Za Fořtem 871/29, Slivenec, Prague 5, Post Code: 154 00, has, since 1 March 2015, been a Member of the Supervisory Board of the Related Entity of Realitní developerská, a.s. and, since 1 June 2013, a Member of the Board of Directors of the Related Entity of B. aircraft, a.s.

2. Structure of Relations

- The Controlling Entity owns the following percentage shares of the Controlled Entity:

Controlled Entity	Controlled Entity's Percentage Shares
Letiště Praha, a. s.	100%

- The Controlling Entity owns the following percentage shares of the Related Entities:

Related Entity	Controlled Entity's Percentage Shares
Czech Airlines Handling, a.s.	100%
Czech Airlines Technics, a.s.	100%
B. aircraft, a.s.	100%
Realitní developerská, a.s.	100%

3. Methods and Means of Control

The Controlling Entity owns 100% of the shares of the Controlled Entity. Control is thus executed primarily through the voting rights of the Controlling Entity as the sole shareholder in the capacity of the General Meeting of the Controlled Entity.

Control is also executed through personnel unions. For part of the reference period, the Chairman of the Board of Directors of the Controlling Entity was in the role of Chairman of the Board of Directors of the Controlled Entity (see Point 1 of this report's chapter). No other personnel unions of members of administrative bodies of the Controlling Entity and the Controlled Entity were formed during the reference period.

Concurrently, beyond statutory wording, Statutes of the Controlled Entity entrust the issues listed under Article 13, Chapter 1, Letters aa), dd), p), q), r) s), t) and u) of company Statutes, related primarily to the long-term concept approvals, decisions regarding strategic investment plans and decisions regarding acceptance of guarantees or provision of other securities for commitments of third parties, to the authority of the sole shareholder in the capacity of the General Meeting.

Except as disclosed above, the Controlling Entity used no other methods and means of control during the reference period.

SECTION III REFERENCE PERIOD

The report covers the period from 1 January 2017 to 31 December 2017.

SECTION IV AN OVERVIEW OF ANY TRANSACTIONS MADE DURING THE REFERENCE PERIOD THAT WERE MADE AT THE INSTIGATION OR IN THE INTEREST OF THE CONTROLLING ENTITY OR OF THE RELATED ENTITIES, WHERE SUCH TRANSACTION CONCERNED PROPERTY EXCEEDING 10% OF THE EQUITY CAPITAL OF THE CONTROLLED ENTITY IDENTIFIED ACCORDING TO THE LAST FINANCIAL STATEMENTS

During the reference period, the Controlled Entity made no legal transactions at the instigation or in the interest of the Controlling Entity or of the Related Entities that would concern property exceeding 10%

of the equity capital of the Controlled Entity (as of 31/12/2017 10% of the Controlled Entity's equity capital was CZK 516 809 ths), and the Controlled Entity was not prevented from making any transactions or strategic decisions due to control of the company, stemming from the interests of or instigated by the Controlling Entity. The aggregate volume of transactions between the Controlling Entity, the Controlled Entity and the Related Entities based on the contracts and agreements stated below are further specified in Section V hereof.

SECTION V

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

1. In the reference period, the following contracts were concluded or amended between the Controlling Entity and the Controlled Entity, based on which the Controlled Entity provided or received contractual entitlements:

Contract/ Appendix	Reference No.	Contracting Parties	Contract Subject Matter	Date of Signature
Contract	130002826	Český Aeroholding, a.s.	Agreement on Some Aspects of the Transfer of Rights and Obligations from Labour Relations	11/10/2017
Appendix	0130002826/1	Český Aeroholding, a.s.	Appendix No. 1 to Agreement on Some Aspects of the Transfer of Rights and Obligations from Labour Relations	31/10/2017
Contract	130002835	Český Aeroholding, a.s.	Agreement on Some Aspects of the Transfer of Rights and Obligations from Labour Relations	31/10/2017
Appendix	0130002835/1	Český Aeroholding, a.s.	Appendix No. 1 to Agreement on Some Aspects of the Transfer of Rights and Obligations from Labour Relations	12/12/2017
Contract	133002722	Český Aeroholding, a.s.	Loan Provision Framework Agreement	31/8/2017
Appendix	9000002510/26	Český Aeroholding, a.s.	Appendix No. 26 to Lease Agreement and to Service Agreement	31/1/2017
Appendix	9000002510/27	Český Aeroholding, a.s.	Appendix No. 27 to Lease Agreement and to Service Agreement	30/4/2017
Appendix	9000002510/27	Český Aeroholding, a.s.	Appendix No. 28 to Lease Agreement and to Service Agreement	31/7/2017
Appendix	0110000115/99	Český Aeroholding, a.s., Czech Airlines Technics, a.s., Czech Airlines Handling, a.s., B. aircraft, a.s.	Agreement on Termination of Contract for the Provision of Services No. 0110000115 (Administrative Agenda)	12/12/2017
Appendix	0110000116/99	Český Aeroholding, a.s., Czech Airlines Technics, a.s., Czech Airlines Handling, a.s., B. aircraft, a.s.	Agreement on Termination of Contract for the Provision of Services No. 0110000116 (Communications and Marketing)	12/12/2017

Contract/ Appendix	Reference No.	Contracting Parties	Contract Subject Matter	Date of Signature
Contract	0233004007	Český Aeroholding, a.s., Czech Airlines Technics, a.s., Czech Airlines Handling, a.s., B. aircraft, a.s.	Contract for the Provision of Services for Investment, Development projects and Real estate	12/12/2017
Contract	0133002885	Český Aeroholding, a.s., Czech Airlines Technics, a.s., Czech Airlines Handling, a.s., B. aircraft, a.s.	Contract for the Provision of Services for Registry and Archive	12/12/2017
Contract	0233004006	Český Aeroholding, a.s., Czech Airlines Technics, a.s., Czech Airlines Handling, a.s., B. aircraft, a.s.	Contract for the Provision of Services for Corporate and Marketing Communication	12/12/2017

2. Contracts between the Controlling Entity and the Controlled Entity entered into prior to the commencement of the reference period, based on which the Controlled Entity provided or received contractual entitlements during the reference period:

Contract/ Appendix	Reference No.	Contracting Parties	Contract Subject Matter	Date of Signature
Contract	210002967	Český Aeroholding, a.s., Czech Airlines Technics, a.s., Czech Airlines Handling, a.s.	Contract for the Provision of Information Security Services	30/6/2016
Contract	131002235	Český Aeroholding, a.s.	Commercial Space Lease Agreement – Terminal 1 and Terminal 2, as amended	26/3/2016
Contract	124001722	Český Aeroholding, a.s.	Water Supply Agreement for the Building Located on Letecká 1089/45	5/9/2014
Contract	132000363	Český Aeroholding, a.s.	Agreement on ICT Service Provision	17/12/2013
Contract	216000810	Český Aeroholding, a.s.	Environmental Protection Service Agreement, as amended	28/6/2013
Contract	216000702	Český Aeroholding, a.s.	Agreement on Heating Supply for Český Aeroholding, a.s., as amended	29/3/2013
Contract	111000171	Český Aeroholding, a.s.	Framework Agreement on Assignment of Receivables	3/1/2013
Contract	216000504	Český Aeroholding, a.s.	Agreement on Rain and Contaminated Water Drainage Using Airport's Sewage System, as amended	2/1/2013

Contract/ Appendix	Reference No.	Contracting Parties	Contract Subject Matter	Date of Signature
Contract	216000639	Český Aeroholding, a.s.	Heating Supply Agreement, as amended	31/12/2012
Contract	216000276	Český Aeroholding, a.s.	Agreement on Drinking Water Supply and Waste Water Drainage, as amended	1/10/2012
Contract	216000437	Český Aeroholding, a.s.	Engineering Agreement, as amended	1/10/2012
Contract	216000438	Český Aeroholding, a.s.	Agreement on Supply of Associated Services – Electricity, as amended	1/10/2012
Contract	9100000194	Český Aeroholding, a.s.	Lots of Land Lease Agreement	30/9/2012
Contract	8100001601	Český Aeroholding, a.s.	Employee Training and Workshop Framework Service Agreement	27/9/2012
Contract	8100000801	Český Aeroholding, a.s.	Vehicle Lease Framework Agreement	30/3/2012
Contract	9100000135	Český Aeroholding, a.s.	Vehicle Fleet Management Agreement, as amended	30/3/2012
Contract	9100000019	Český Aeroholding, a.s.	Agreement on Transfer of Rights and Obligations pursuant to the Agreement on Lots of Land and Building Evaluation following the International Financial Reporting Standards - Fair Value Assessment (Based on Agreement No. 9000001887)	23/1/2012
Contract	116000037	Český Aeroholding, a.s.	Provision of Telecommunication Services including Mobile Telephone Leases	1/1/2012
Contract	110000110	Český Aeroholding, a.s., Czech Airlines Technics, a.s., Czech Airlines Handling, a.s., B. aircraft, a.s.	Contract for the Provision of Services (Central Purchasing), as amended	28/12/2011
Contract	110000111	Český Aeroholding, a.s., Czech Airlines Technics, a.s., Czech Airlines Handling, a.s., B. aircraft, a.s.	Contract for the Provision of Services (Information and Communications Technology), as amended	28/12/2011
Contract	110000112	Český Aeroholding, a.s., Czech Airlines Technics, a.s., Czech Airlines Handling, a.s., B. aircraft, a.s.	Contract for the Provision of Services (Accounting and Taxes), as amended	28/12/2011

Contract/ Appendix	Reference No.	Contracting Parties	Contract Subject Matter	Date of Signature
Contract	110000113	Český Aeroholding, a.s., Czech Airlines Technics, a.s., Czech Airlines Handling, a.s., B. aircraft, a.s.	Contract for the Provision of Services (Finances and Payments), as amended	28/12/2011
Contract	110000114	Český Aeroholding, a.s., Czech Airlines Technics, a.s., Czech Airlines Handling, a.s., B. aircraft, a.s.	Contract for the Provision of Services (Human Resources Management), as amended	28/12/2011
Contract	110000115	Český Aeroholding, a.s., Czech Airlines Technics, a.s., Czech Airlines Handling, a.s., B. aircraft, a.s.	Contract for the Provision of Services (Administrative Agenda and Insurance), as amended	28/12/2011
Contract	110000116	Český Aeroholding, a.s., Czech Airlines Technics, a.s., Czech Airlines Handling, a.s., B. aircraft, a.s.	Contract for the Provision of Services (Communications), as amended	28/12/2011
Contract	9000002943	Český Aeroholding, a.s.	Non-Disclosure Agreement	14/12/2011
Contract	9000002594	Český Aeroholding, a.s.	Heating Supply Agreement (the APC Building)	12/12/2011
Contract	8000022101	Český Aeroholding, a.s.	Fuel Supply Framework Agreement	25/10/2011
Contract	9100000077	Český Aeroholding, a.s.	Real Estate Administration Agreement – the APC, BDI, BDII Buildings, IT in T1 and IT in T2 Spaces and the Data Room, as amended	30/9/2011
Contract	9100000141	Český Aeroholding, a.s.	Agreement on Fire Protection	30/9/2011
Contract	9100000159	Český Aeroholding, a.s.	Personal Data Processing Agreement - CCTV	30/9/2011
Contract	9000002510	Český Aeroholding, a.s.	Lease Agreement and Service Agreement, as amended	30/9/2011
Contract	9000002504	Český Aeroholding, a.s.	Agreement on Employee Catering, as amended	30/9/2011

3. In the reference period, the following contracts were concluded or amended between the Controlled Entity and the Related Entities, based on which the Controlled Entity provided or received contractual entitlements:

Contract/ Appendix	Reference No.	Contracting Parties	Contract Subject Matter	Date of Signature
Appendix	9000002018/4	Czech Airlines Handling, a.s.	Amendment No. 4 to the Contract for the Provision of Services in VIP lounges at the Airport Praha/Ruzyně	29/12/2017
Appendix	9000002051/1	Czech Airlines Handling, a.s.	Amendment No. 1 to the Contract for the Provision of Services in VIP lounges at the Airport Praha/Ruzyně	29/12/2017
Appendix	9000001547/1	Czech Airlines Handling, a.s.	Amendment No. 1 to the Contract on Mandate Contract – Levying Airport Charges from Carriers (Clearance Process Charges)	1/12/2017
Appendix	0430000017/2	Czech Airlines Handling, a.s.	Amendment No. 2 to the Framework Agreement No. 0430000017	25/10/2017
Appendix	9000002680/7	Czech Airlines Handling, a.s.	Amendment No. 7 to the Agreement on the Use of Parking Spaces for Parking Mobile Mechanised Equipment at Prague Airport	25/8/2017
Contract	0211003514	Czech Airlines Handling, a.s.	Agreement on the Use of Parking Spaces at the Airport Praha/Ruzyně	18/7/2017
Appendix	0230000710/1	Czech Airlines Handling, a.s.	Amendment No. 1 to the Contract for the Installation, Subsequent Maintenance and Service of the Common TV Aerial	4/7/2017
Appendix	9000001151/22	Czech Airlines Handling, a.s.	Amendment No. 22 to the Contract for Combined Electricity Supply Services	1/6/2017
Appendix	9000001150/18	Czech Airlines Handling, a.s.	Amendment No. 18 to the Contract for Energy Supply Connections	1/6/2017
Appendix	0430000017/1	Czech Airlines Handling, a.s.	Amendment No. 1 to the Framework Agreement No. 0430000017	31/5/2017
Appendix	216002332/1	Czech Airlines Handling, a.s.	Amendment No. 1 to the Contract for Employee Catering	25/4/2017
Appendix	9000001150/17	Czech Airlines Handling, a.s.	Amendment No. 17 to the Contract for Energy Supply Connections	3/3/2017
Appendix	9000001151/21	Czech Airlines Handling, a.s.	Amendment No. 21 to the Contract for Combined Electricity Supply Services	3/3/2017
Appendix	0230000471/2	Czech Airlines Handling, a.s.	Amendment No. 2 to the Contract for the Installation, Lease and Subsequent	13/2/2017

Contract/ Appendix	Reference No.	Contracting Parties	Contract Subject Matter	Date of Signature
			Maintenance and Service of Electronically Controlled Entries, as amended	
Appendix	9000002707/1	Czech Airlines Handling, a.s.	Amendment No. 1 to the Contract for the Supply of Heat Energy	11/1/2017
Contract	0230003695	Czech Airlines Technics, a.s.	Contract for the Provision of Services (Prevention of Major Incidents)	27/11/2017
Appendix	0230002346/1	Czech Airlines Technics, a.s.	Amendment No. 1 to the Contract for the Installation, Lease and Subsequent Maintenance and Service of Electronically Controlled Entries	16/6/2017
Appendix	0216002336/1	Czech Airlines Technics, a.s.	Amendment No. 1 to the Contract for Employee Catering	25/4/2017
Appendix	0215000505/2	Czech Airlines Technics, a.s.	Amendment No. 2 to the Contract for Parking Spaces in front of Hangar F and at the Compass Base	7/4/2017

4. Contracts between the Controlled Entity and the Related Entities entered into prior to the commencement of the reference period, based on which the Controlled Entity provided or received contractual entitlements during the reference period:

Contract/ Appendix	Reference No.	Contracting Parties	Contract Subject Matter	Date of Signature
Contract	230003296	Czech Airlines Handling, a.s.	Contract on Collaboration when Using the Airport Infrastructure for Storing and Handling Air Fuels	2/12/2016
Contract	0216002332	Czech Airlines Handling, a.s.	Contract for Employee Catering	1/12/2015
Contract	210001880	Czech Airlines Handling, a.s.	Contract for the Provision of Physical Security Services for Building No. 12 of the Contact Centre (Chadrabárna) and of Other Related Activities	10/4/2015
Contract	230001803	Czech Airlines Handling, a.s.	Contract for Toilet Cleaning Works in T1 and T2	1/3/2015
Contract	430001586	Czech Airlines Handling, a.s.	Contract for the Provision of Armed Escorts for Authorised Entity with Cash Money	21/10/2014
Contract	230001209	Czech Airlines Handling, a.s.	Contract for the Provision of Operating Data	30/5/2014
Contract	211000949	Czech Airlines Handling, a.s.	Contract for the Transfer of Warranty for Ticketing Equipment in Terminal 2	30/9/2013

Contract/ Appendix	Reference No.	Contracting Parties			Contract Subject Matter	Date of Signature
Contract	230000913	Czech a.s.	Airlines	Handling,	Contract for the Provision of Fire Protection Services (Handling Aviation Fuel), as amended	27/9/2013
Contract	210000865	Czech a.s.	Airlines	Handling,	Contract for Connecting the Electronic Security System of the Sky Team Sales Booth in Terminal 1 to the Fire Protection Panel	1/7/2013
Contract	210000866	Czech a.s.	Airlines	Handling,	Contract for Connecting the Electronic Security System of the Sky Team Sales Booth in Terminal 2 to the Fire Protection Panel	1/7/2013
Contract	210000808	Czech a.s.	Airlines	Handling,	Contract for Shared Environmental Protection Services, as amended	28/6/2013
Contract	230000710	Czech a.s.	Airlines	Handling,	Contract for the Installation, Subsequent Maintenance and Service of the Common TV Aerial	18/6/2013
Contract	435001521	Czech a.s.	Airlines	Handling,	Framework Contract for the Distribution of Printed Materials	31/5/2013
Contract	210000726	Czech a.s.	Airlines	Handling,	Agreement on Cooperation in Using Accommodation Capacities	30/4/2013
Contract	210000593	Czech a.s.	Airlines	Handling,	Agreement on the Terms of Connecting Electric Security Alarm Devices via a Remote Transmission Device to the Central Protection Panel and on the Performance of Certain Related Activities	1/4/2013
Contract	230000471	Czech a.s.	Airlines	Handling,	Contract for the Installation, Lease and Subsequent Maintenance and Service of Electronically Controlled Entries, as amended	27/2/2013
Contract	230000299	Czech a.s.	Airlines	Handling,	Contract for the Provision of Radio Network Fixed Infrastructure Services, as amended	21/11/2012
Contract	216000146	Czech a.s.	Airlines	Handling,	Contract for the Discharge of Rainwater and Contaminated Water through the Airport Sewer System, as amended	24/10/2012
Contract	9000002868	Czech a.s.	Airlines	Handling,	Contract for the Provision of Air Band Radio Network Fixed Infrastructure Services	7/6/2012
Contract	210000080	Czech a.s.	Airlines	Handling,	Purchase Contract for Ticketing Equipment in Terminal 2	31/5/2012
Contract	430000017	Czech a.s.	Airlines	Handling,	Framework Contract for the Distribution of Printed Materials entitled "Airport Map" and "Easy Transport from/to Prague Airport"	31/5/2012

Contract/ Appendix	Reference No.	Contracting Parties			Contract Subject Matter	Date of Signature
Contract	8000026401	Czech a.s.	Airlines	Handling,	Contract for the Lease of Vehicles, as amended	30/4/2012
Contract	8000026001	Czech a.s.	Airlines	Handling,	Framework Purchase Contract – Diesel Oil and Petrol Deliveries	19/4/2012
Contract	9000002680	Czech a.s.	Airlines	Handling,	Agreement on the Use of Parking Spaces for Parking Mobile Mechanised Equipment at Prague Airport, as amended	1/4/2012
Contract	9000002819	Czech a.s.	Airlines	Handling,	Contract for the Provision of Real Estate Management Services, as amended	30/3/2012
Contract	9000002707	Czech a.s.	Airlines	Handling,	Contract for the Supply of Heat Energy – the AOC Building	20/1/2012
Contract	9000002708	Czech a.s.	Airlines	Handling,	Contract for the Discharge of Contaminated Water through the Airport Sewer System, as amended	30/12/2011
Contract	9000002706	Czech a.s.	Airlines	Handling,	Contract for Vehicle Fleet Management, as amended	28/12/2011
Contract	9000002051	Czech a.s.	Airlines	Handling,	Contract for the Provision of VIP Lounges at Prague/Ruzyně Airport	19/12/2011
Contract	9000002186	Czech a.s.	Airlines	Handling,	Agreement on the Acceptance of Payment Vouchers when Providing Catering Services for Passengers	1/7/2011
Contract	9000002126	Czech a.s.	Airlines	Handling,	Agreement on the Transfer of Movable Assets for Consideration and on the Payment of Technical Improvements – Equipment for the VIP Crystal Lounges Situated in Terminal 1 and Terminal 2	11/4/2011
Contract	9000002018	Czech a.s.	Airlines	Handling,	Contract for Lounges for Passengers of Airlines Cleared by Handling, as amended	31/12/2010
Contract	9000001924	Czech a.s.	Airlines	Handling,	Contract for the Mutual Provision of Services in Connection with the IATA Standard Handling Agreement of January 2008	23/12/2010
Contract	9000001571	Czech a.s.	Airlines	Handling,	Contract for the Supply of Processed Water, as amended	27/7/2010
Contract	9000001547	Czech a.s.	Airlines	Handling,	Mandate Contract – Levying Airport Charges from Carriers (Clearance Process Charges)	21/7/2010
Contract	9000001407	Czech a.s.	Airlines	Handling,	Contract for the Lease of Parking Spaces for Parking Mobile Mechanised Equipment in the	30/6/2010

Contract/ Appendix	Reference No.	Contracting Parties			Contract Subject Matter	Date of Signature
					Clearance Area in front of Terminal 1, as amended	
Contract	9000001213	Czech a.s.	Airlines	Handling,	Contract for the Lease of Technology Equipment for the Clearance of Passengers and Baggage at Prague Airport, as amended	31/3/2010
Contract	9000001150	Czech a.s.	Airlines	Handling,	Contract for Energy Supply Connections, as amended	8/2/2010
Contract	9000001151	Czech a.s.	Airlines	Handling,	Contract for Combined Electricity Supply Services, as amended	8/2/2010
Contract	9000001144	Czech a.s.	Airlines	Handling,	Contract for the Supply of Drinking Water and the Discharge of Wastewater, as amended	5/2/2010
Contract	43692364	Czech a.s.	Airlines	Handling,	Contract for Arrangement of Service "Installation and Use of Controlled Entries" at Prague Airport, as amended	2/8/2004
Contract	43694197	Czech a.s.	Airlines	Handling,	Lease Contract – Lands and De-icing Liquid Tanks, as amended	12/1/1999
Contract	0216002336	Czech a.s.	Airlines	Technics,	Contract for Employee Catering.	26/11/2015
Contract	9000002452	Czech a.s.	Airlines	Technics,	Contract for the Installation, Lease and Subsequent Maintenance and Service of Electronically Controlled Entries	9/11/2015
Contract	216000953	Czech a.s.	Airlines	Technics,	Contract for the Supply of Heat Energy	30/8/2013
Contract	216000812	Czech a.s.	Airlines	Technics,	Contract for Shared Environmental Protection Services, as amended	28/6/2013
Contract	215000505	Czech a.s.	Airlines	Technics,	Contract for Parking Spaces in front of Hangar F and at the Compass Base	31/12/2012
Contract	230000254	Czech a.s.	Airlines	Technics,	Contract for the Provision of Radio Network Fixed Infrastructure Services, as amended	16/11/2012
Contract	216000138	Czech a.s.	Airlines	Technics,	Contract for the Discharge of Rainwater and Contaminated Water through the Airport Sewer System for Czech Airlines Technics, a.s.	28/8/2012
Contract	8000026801	Czech a.s.	Airlines	Technics,	Contract for the Lease of Vehicles	30/4/2012

Contract/ Appendix	Reference No.	Contracting Parties			Contract Subject Matter	Date of Signature
Contract	8000026201	Czech a.s.	Airlines	Technics,	Framework Purchase Contract – Diesel Oil and Petrol Deliveries	26/4/2012
Contract	9000002821	Czech a.s.	Airlines	Technics,	Contract for the Provision of Real Estate Management Services, as amended	30/3/2012
Contract	9000002762	Czech a.s.	Airlines	Technics,	Contract for the Supply of Drinking Water, as amended	7/2/2012
Contract	9000002763	Czech a.s.	Airlines	Technics,	Contract for Combined Services, as amended	7/2/2012
Contract	9000002764	Czech a.s.	Airlines	Technics,	Contract for Energy Supply Connections, as amended	7/2/2012
Contract	9000002765	Czech a.s.	Airlines	Technics,	Contract for the Supply of Heat Energy, as amended	7/2/2012
Contract	CSAT/2012/255	Czech a.s.	Airlines	Technics,	Agreement on the Terms of Cooperation in the Area of Customs Services	1/1/2012
Contract	9000002677	Czech a.s.	Airlines	Technics,	Agreement on the Use of Parking Spaces for Parking Mobile Mechanised Equipment, as amended	30/12/2011
Contract	9000002780	Czech a.s.	Airlines	Technics,	Contract for the Sublease of Non-Residential Premises and for the Provision of Services Related to their Use – Hangar F	30/12/2011
Contract	9000002910	Czech a.s.	Airlines	Technics,	Contract for Vehicle Fleet Management, as amended	30/12/2011
Contract	9000002075	Czech a.s.	Airlines	Technics,	Agreement on Changes to the Contract for the Lease of Hangar F (Contract No. 9000001445)	25/3/2011
Contract	9000001687	Czech a.s.	Airlines	Technics,	Contract for the Lease of Non-Residential Premises and for the Provision of Services Related to their Use	1/11/2010
Contract	43693806	Czech a.s.	Airlines	Technics,	Contract for the Lease of Part of the Land, as amended	8/11/2000
Contract	9000000960	Realitní developerská, a.s.			Service Agreement (Lots of Land Administration)	1/4/2009

The volume of performance among the Controlling Entity, the Controlled Entity and the Related Entities during the reference period (in thousands of CZK)

Contractual Party	Purchases	Sales
Český Aeroholding, a.s.*	1,803,920	1,149,134
Czech Airlines Handling, a.s.	8,754	153,565
Czech Airlines Technics, a.s.	562	68,692
B. aircraft, a.s.	0	0
Realitní developerská, a.s.	0	12

* The dividend paid by the Controlled Entity to the Controlling Entity in the amount of CZK 1,050,000 thousand has not been included in the sum total.

Assessment of Below-Listed Contracts:

Lease Agreement No. 9000002510 on Real Estate Lease at Václav Havel Airport Prague Premises and its Management

The respective relationship is regulated by a Lease Agreement and a Service Agreement and contains both a lease relationship with regard to assets of Václav Havel Airport Prague needed for aviation operations, and real estate management, based on which the Controlled Entity and the Controlling Entity split the revenue generated by non-aviation business gained from assets of Václav Havel Airport Prague.

2017 revenue of the Controlling Entity from the lease amounted to CZK 1,355 million, while revenue of the Controlled Entity for the provision of services amounted to CZK 1,020 million during the same reference period.

The evaluation of the price conditions of the respective relationship was performed from the Controlling Entity's perspective, as it is, essentially, a passive investor. The sum total revenue generated by the Controlling Entity based on the Lease Agreement and Service Agreement in 2017 was compared to yields of transactions with prestigious real estate. From this point of view, the price conditions of the Lease Agreement and the Service Agreement are in line with the arm's length principle.

Agreements on Associated Services Provision

During the reference period, the Controlling Entity provided associated services to the Controlled Entity and to the Related Entities based on agreements in place in the following areas:

- ▶ Central Purchases (Service Agreement No. 110000110)
- ▶ IT (Service Agreement No. 110000111)
- ▶ Accounting and Taxes (Service Agreement No. 110000112)
- ▶ Finance and Payments (Service Agreement No. 110000113)
- ▶ HR Management (Service Agreement No. 110000114)
- ▶ Administration Agenda and Insurance (Service Agreement No. 110000115)*
- ▶ Communications (Service Agreement No. 110000116)*

2017 revenue of the Controlling Entity from the provision of associated services to the Controlled Entity amounted to CZK 391 million.

Associated services represent routine, typically outsourced, services. IT services represent the first group of associated services, failures of which (materialisations of operational risks) within particular areas of association could result in the occurrence of a critical situation. Assessment of compliance of intergroup pricing with the arm's length principle for the provision of associated services is based on the transactional net margin method. From this point of view, associated IT services are provided in line with the arm's length principle.

In the case of the second group of associated services (the services of HR Management, Central Purchases, Finance and Payments, Accounting and Taxes, Administration Agenda and Communication), a calculated profit margin of 5% was deduced from pricing policies, charged to the overall operational costs related to the provision of Catalogue Services. From this point of view, other associated services are provided in line with the arm's length principle.

* With respect to the transfer of part of the controlling entity's activities to the controlled entity on 1 January 2018, these contracts were replaced with contracts No. 0233004006, 0233004006 and 0133002885 of 12.12.2017 which became effective on 1 January 2018.

SECTION VI DAMAGE SETTLEMENT

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

SECTION VII RELATION CONSEQUENCES ASSESSMENT

The Board of Directors assessed the relations between the Controlling Entity and the Controlled Entity and the Related Entities and states that the relations between the Controlling Entity and the Controlled Entity and the Related Entities are diverse. Due to the different roles of the individual entities within the Group, there are subsets of intragroup relations with different pricing policies.

Provision of Unique Assets (Václav Havel Airport Prague Infrastructure), Lease of Immovable Assets within the Group

In terms of value, the most important relation within the Group is the Lease of Václav Havel Airport Prague Infrastructure to the Controlled Entity and related real estate management. To assess the price conditions of the relation in question, a cost criterion combined with reasonable profit was applied. With regard to leases of other immovable assets within the Group, particular rent amounts are compared with the lease conditions of third parties

Associated Services, Facilities and Maintenance, Support (Engineering, Repairs, etc.)

During the reference period, associated services provided primarily by the Controlling Entity (typically contracts subject to outsourcing) as well as services and support provided by the Controlled Entity represented another group of systematically provided services within the Group, characterised by their significant adaptation to the Group needs and complicated comparability to the set of services provided to third parties (or by third parties). To set the inter-Group prices of the services in question, a cost criterion combined with reasonable profit was applied.

To conclude: Co-operation between the Controlling and the Controlled Entities, resulting from the execution of shareholder's rights of the Controlling Entity at General Meetings of the Controlled Entity, from Personnel Unions of Statutory Bodies of the Controlling and the Controlled Entities and the Related Entities and from the joint nature of their business activities, represents significant advantages for the Controlled Entity thanks to the know-how acquired, better transfer of information and access to knowledge and expertise of the Controlling Entity.

The Board of Directors took the above-described relations under advisement and states that it is aware of no risks resulting from the relations among the above-listed Entities.

SECTION VIII CONCLUSION

This report was reviewed and approved by the Board of Directors of the Controlled Entity on 27 March 2018.


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

This Report was presented for review to the auditor responsible for auditing the financial statements and the Annual Report of the Controlled Entity pursuant to specific legislation. Consecutively, the Report will be appended to the documents as their integral part and, as at the date dictated by legislation, inserted in the Collection of Documents of the Commercial Register administered by the Municipal Court in Prague.

In Prague, on 27 March 2018



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



Ing. Radek Hovorka
Vice-Chair of the Board of Directors
Letiště Praha, a. s.

Independent auditor's report

to the shareholder of Letiště Praha, a.s.

Opinion

We have audited the accompanying financial statements of Letiště Praha, a.s., with its registered office at K Letišti 1019/6, Praha 6 - Ruzyně ("the Company") prepared in accordance with Czech accounting legislation, which comprise the balance sheet as at 31 December 2017, the income statement, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements, which include significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, of its financial performance and its cash flows for the year then ended in accordance with Czech accounting legislation.

Basis for Opinion

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

Other Information

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

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

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

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

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

Responsibilities of the Board of Directors and Supervisory Board for the Financial Statements

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



**Shareholder of Letiště Praha, a.s.
Independent auditor's report**

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

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

29 March 2018

Per KPMG Česká republika Audit, s.r.o.
represented by

Jiří Zouhar
Jiří Zouhar

Hana Valešová
Hana Valešová
Statutory Auditor, Evidence No. 2004

Note

Our report has been prepared in the Czech language and in English. In all matters of interpretation of information, views or opinions, the Czech version of our report takes precedence over the English version.