

PRAGUE AIRPORT'S DECISION ON AIRPORT CHARGES FOR THE PERIOD FROM 27th MARCH 2022 TO 25th MARCH 2023

Prague Airport (PA) has published the final version of its Price List for the period commencing on 27th March 2022 and ending on 25th March 2023 (2022 Price List). Following the airport Price List review with air carriers enrolled in the consultation process, PA has decided to set the airport charges and incentive scheme as described in the text below. The adjustments made to airport charges when compared to the current 2021 Price List include changes to Passenger Service Charges for Terminal 3 (T3) and renaming the Incentive Scheme 3.16 Traffic Recovery After the Covid-19 Crisis the 3.16 Covid-19 Traffic Recovery. The Covid-19 Traffic Recovery Incentive Scheme remains in effect in an updated version for the period of the upcoming calendar year 2022.

SUMMARY

The consultation process regarding the airport charges proposal was commenced by PA on 15th June 2021. At the airport operator's invitation, 17 air carriers had confirmed their participation in writing prior to the consultation meeting. Eleven of them complied with the requirements set as per the provisions of Article 42f of Act No. 49/1997 Coll. on Civil Aviation, and amendments and addenda to Act No. 455/1991 Coll. on Trade Licensing (the Trade Licensing Act), as amended.

The proposed Price List was distributed to all participants on 18th August 2021. On 2nd September 2021, a formal consultation meeting was held in Prague in a distant form via MS Teams. All participants received Meeting Minutes with supporting documentation where the basis for the price model and proposed changes were described. Subsequently, PA has received one formal written response to the Price List proposal. We have carefully reviewed the feedback received from airlines, both written and discussed during the

consultation meeting, prior to making the final decision which contains the following adjustments compared to the previous period of validity:

- Increase in Passenger Service Charges for T3

All participants have received the annual overview of collected charges and expenses connected with the PRM service in 2020, audited by Pricewaterhouse Coopers Audit, s.r.o.

The attached PA's Price List is valid as of 27th March 2022. The updated Price List has been uploaded under the B2B Business section of the PA's website:

<https://www.prg.aero/en/charges-and-incentives>.

Participants of the Price List consultation process may request materials and supporting documentation from the consultation meeting by writing to erika1.hrubesova@prg.aero.

ADJUSTMENTS TO INDIVIDUAL CHARGE CATEGORIES AND INCENTIVE PROGRAMMES

1. Increase in Airport Charges

Final Decision

The airport charge 2.1 **Passenger Service Charge** has been increased for T3 to CZK749 from the original CZK649 per every departing passenger and to CZK374 from the original CZK324 per every transfer passenger effective 1st July 2022.

Passenger Service Charge per Every:	until 30/06/2022	from 01/07/2022
Departing Passenger	CZK649	CZK749
Transfer Passenger	CZK324	CZK374

Reasoning

After a thorough analysis, PA has set out to increase airport charges for T3 for several reasons:

- PA has decided to increase **Passenger Service Charges for T3** as a consequence of the necessity to carry out a reconstruction of the T3 building due to its technical state. The terminal 3 building was constructed in 1997 and there have been no significant investments or modernisations since then. Another reason for the T3 modification is to ensure compliance with the current and future aviation security regulations, to separate VIP passengers and airport tours and optimise the oversize baggage handling.
- The T3 building modification will increase the capacity and allow the implementation of modern technology.

Position of Airport Users

Some users objected that, in general, airport charges should be decreased to support air carriers during this difficult period of time.

PA's Final Decision Motivation

PA's situation is evaluated continuously. PA's appropriate profit is based on a formula of WACC multiplied by regulated asset base (used for aviation activities). WACC is considered to be a reasonable rate of return. Numbers are compared on a yearly basis.

Unfortunately, due to the COVID-19 pandemic, PA is currently not in a position to decrease airport charges. Nevertheless, in order to support air carriers, PA has decided to avoid increasing the charges further for the period of validity of the 2022 Price List.

PA will continue reviewing its performance and manage the airport charges and revenues in a way as to fit the reasonable level of EBIT (and rate of return / WACC). Even though, there is no price regulation of airports (including PA) in the Czech Republic, PA still follows the best practice (in terms of price regulation) of airports in the region.

The COVID-19 restrictions have not been relaxed by the Czech authorities this year as previously expected and, as a consequence, we expect negative values in the upcoming financial balance sheet. This is the reason PA cannot reduce the airport charges any further for the period of validity of the 2022 Price List. However, PA is open to considering a decrease of airport charges when the operational results improve.

Factoring in the poor technical state of the T3 building and the above-stated reasons, PA has decided to increase the airport charge 2.1 Passenger Service Charges for T3 effective 1st July 2022.

2. Incentive scheme

Final Decision

Effective 1st January 2022, the Incentive Scheme 3.16 Traffic Recovery After the Covid-19 Crisis is applied to carriers providing scheduled or non-scheduled passenger transport during the calendar year 2022, provided their overall 2022 seat capacity reaches a minimum of 55% of their seat capacity allocated on routes to/from PA in 2019, or they have transported at least 55% of the total volume of passengers paying the passenger service charge in full when compared with their 2019 results. This incentive programme has been renamed 3.16 Covid-19 Traffic Recovery.

Period of Validity	Amount Refunded per Each Departing Passenger Paying in Full
1/1/2022–31/12/2022	CZK54

Reasoning

This incentive scheme is motivated by the need to support the fastest possible return to pre-crisis volumes of scheduled and non-scheduled passenger traffic. It represents a clear proof that in the next fiscal year, PA is not aiming to earn outstanding profits or finance large development projects, but rather to generate enough capital for standard operational financing. PA is willing to share the risks and benefits with airlines.

Position of Airport Users

The air carriers appreciate the incentive scheme, but some of them consider the 55% threshold vs 2019 traffic figures to be too high. A proposal was made to reduce the threshold to 50%.

PA's Final Decision Motivation

PA decided to maintain the originally proposed threshold of 55%, taking into account current airline capacity plans for the upcoming operational seasons and the latest forecast for 2022. The current previously adjusted threshold has proven to be motivating and realistically achievable, and at the same time, should ensure that sufficient funds are collected in order to support everyday airport operations. This is the reason PA decided not to decrease the threshold any further.

3. Use of Check-in Desk Charges**Final Decision**

In relation to the 2.6 Use of Check-in Desk Charges, PA decided to accept the suggestion presented by Emirates Airline to charge the use of Check-in Desks per actual use rather than the planned use. PA has decided to support the air carriers as fast as possible and had issued an adjustment to this airport charge effective the start of the 2021 winter season (i.e., 31st October 2021). The details are specified in the *PRG Response to COVID-19 II, Oct 21* document, which is available on the website: <https://www.prg.aero/en/charges-and-incentives>.

Position of Airport Users

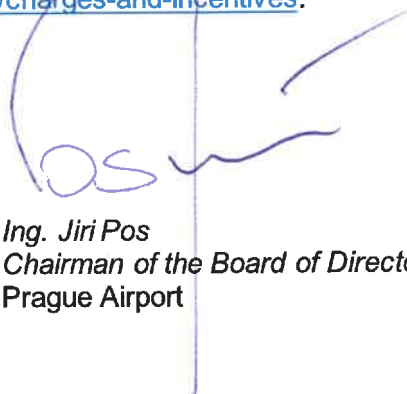
An Emirates Airline representative made a suggestion to consider a change to the Airport Price List for the upcoming period regarding the way the air carriers are charged for the use of check-in desks. A request to charge per actual use of the check-in desk rather than the planned use was made. It was explained that during the COVID-19 pandemic, check-in desks had been used much less as there was a significant increase of no-show passengers. Additionally, the COVID-19 restrictions currently delay the check-in process, which results in a high number of passengers learning last minute they will not be able to travel due to a positive PCR/antigen test result.

PA's Final Decision Motivation

PA has acknowledged the reasons behind the Emirates Airline request and welcomed their proposal.

PA decided to amend the current rules governing the 2.6 Use of Check-in Desk Charges for the upcoming period. The new rules for the airport charges related to the use of check-in desks are specified in the *PRG Response to COVID-19 II, Oct 21* document, which is available on the website: <https://www.prg.aero/en/charges-and-incentives>.

Yours sincerely,



Ing. Jiri Pos
Chairman of the Board of Directors
Prague Airport