

PRAGUE AIRPORT'S DECISION ON AIRPORT CHARGES FOR THE PERIOD FROM 26th MARCH 2023 TO 30th MARCH 2024

Prague Airport (PA) has published the final version of its Price List for the period commencing on 26th March 2023 and ending on 30th March 2024 (2023 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 only adjustment made to airport charges when compared to the current 2022 Price List includes a reclassification of V23 parking stand for GA aircraft parking. PA also introduces its Incentive Scheme with extended support for the Route-based and the Volume-based programmes.

SUMMARY

The consultation process regarding the airport charges proposal was commenced by PA on 17th June 2022. At the airport operator's invitation, 11 air carriers had confirmed their participation in writing prior to the consultation meeting. All 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 23rd August 2022. On 13th September 2022, a formal consultation meeting was held in Prague in a distant form via MS Teams. As a follow up, all participants received Meeting Minutes with supporting documentation where the basis for the price model and proposed changes were described. During the set period, PA has not received any formal written responses to the Price List proposal. We have carefully reviewed the feedback discussed during the consultation meeting, prior to making the final decision which contains the following adjustments compared to the previous period of validity:

- Passenger Service Charges, Landing Charges, and other Infrastructure-related Charges remain unchanged,
- A reclassification of V23 parking stand for GA aircraft parking including a rate change (CZK 78,900 instead of CZK 49,900).

All participants have received the annual overview of collected charges and expenses connected with the PRM service in 2021, audited by Pricewaterhouse Coopers Audit, s.r.o.

The attached PA's Price List is valid as of 26th March 2023. The updated Price List has been uploaded under the B2B Business section of the PA's website.

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

ADJUSTMENTS TO INDIVIDUAL CHARGE CATEGORIES AND INCENTIVE PROGRAMMES

1. No increase in Airport Charges

Final Decision

The airport has decided not to increase Passenger Service Charges, Landing Charges or any other Infrastructure-related Charges and keep them at the 2022 levels.

2. The V23 parking stand has been reclassified as the stand is designed for GA aircraft parking at increased rate (CZK 78,900 instead of CZK 49,900).

Reasoning

After a thorough analysis, PA has set out to reclassify the V23 parking stand for several reasons:

- The reclassification of the V 23 stand is due to the fact that the stand is larger than standard stands for narrow body aircraft,
- The possibility to accommodate more than one smaller (GA) aircraft,
- The stand price is equal to the price of the V22 (suitable for 757) stand position.

Position of Airport Users

Some users inquired about the impact of the expected loss (until 2024), increased energy costs, and inflation issues on future airport charges.

PA's Final Decision Motivation

PA's situation is evaluated continuously. The calculations are reflected in the proposed Price List provided the traffic is as forecast. PA applies dual till (divided per aviation and non-aviation business) in terms of P&L calculations. In this perspective, there will be a very small profit

generated even by the aviation business, but it will not cover the average cost on capital. Contributions (transfers via the P&L report) will be made by the proceeds of the non-aviation business to partially cover the loss.

Nevertheless, in order to support air carriers, PA has decided to avoid increasing the charges for the period of validity of the 2023 Price List.

PA will continue reviewing its performance and managing 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.

Like many European airports, PA has faced significant operational pressure due to understaffing following the COVID-19-related redundancies in 2020-2021. Ongoing and new global risk factors need to be factored in, namely the military conflict in Ukraine and the current and future prices of electricity, gas, and oil, as they may result in a slower than planned operational performance increase at Prague Airport.

3. Incentive scheme

Decision

To facilitate the resumption of operations, effective the 2023 summer flight schedule, Prague Airport is increasing discount rates provided from individual airport charges under programmes 3.2 Short & Medium-haul Routes, and 3.3 Long-haul routes. In the case of passenger service charge discounts, the period of validity of the programmes is shortened to cover the first three (3) years of operation of the new connection. Concurrently, to promote the efficient use of the airport infrastructure, an increased passenger service charge discount is provided under the 3.2 Short & Medium-haul Routes programme if the year-round load factor in excess of 85% is reached.

With regard to other route-based incentive programmes, the 3.6 Incremental Frequencies and Increased Capacity, and the 3.7 Existing Service Substitution, are to offer increased landing charge discounts in the first year of validity. The 3.7 programme also offers an increased passenger service charge discount to support faster substitutions for service disruptions.

Volume-based incentive programmes (namely 3.12, and 3.13) are now subject to a uniform formula for the calculation of the regressive incentive, which is to be provided to all carriers that transport at least 10,000 passengers on departure during the calendar year or operate long-haul connections to / from Prague.

Reasoning

The changes implemented in the PA's incentive programmes aim to accelerate and support the resumption of direct air connections and their further development at PA to the maximum,

while keeping the PA's incentive scheme competitive in comparison with other airports in the region.

Incentive programme changes will be applied to all new programme enrolments effective 26 March 2023.

The changes implemented in the PA's incentive programmes help to fulfil the objectives outlined in the Prague Airport's aviation business strategy and thus increase the connectivity of PA throughout its catchment area.

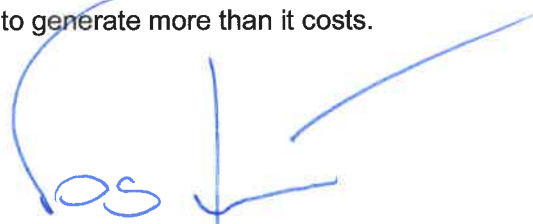
Position of Airport Users

The air carriers appreciate the incentive scheme, but some of them inquired about the way incentive schemes are funded by the airport, expressing a worry that some airlines might be supporting other airlines.

PA's Final Decision Motivation

The incentive should result in traffic growth which would generate the revenue needed to finance the incentive. The airport has an extensive number of fixed costs. Thus, every increase in passenger numbers helps to cover these fixed costs together with variable costs and benefits from economies of scale. The incentive is to generate more than it costs.

Yours sincerely,



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