



# CETIN Finance B.V.

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*Annual report for the year ended 31 December 2020*

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## **Directors' report**

### **Introduction**

We, the Board of Directors (the "Management Board") of CETIN Finance B.V. (the "Company"), are pleased to present to you this director's report as part of the Company's Annual report for the financial year ended 31 December 2020.

### **History and purpose**

The Company was incorporated on 7 September 2016 as a financing vehicle for the issuance of Eurobonds to provide financing to its parent CETIN a.s. (formerly „Česká telekomunikační infrastruktura a.s.“). The ultimate parent company is PPF Group N.V. (the “Group”).

The Company issued Eurobonds on 6 December 2016 in three tranches, with total nominal amount corresponding to EUR 625 million and CZK 7,866 million, respectively, and maturity ranging from 1 to 7 years. Eurobonds are admitted to trading on the Main Securities Market of the Irish Stock Exchange. On 7 December 2016 the Company provided the funds raised in a form of an intra-group loan to CETIN a.s. (“CETIN”).

CETIN is the owner and operator of the incumbent and largest telecommunications network infrastructure in the Czech Republic. CETIN acts as a wholesale provider of fixed and mobile telecommunications infrastructure to all telecommunications operators on equal and transparent footing. CETIN divides its business activities into two main divisions: domestic network services and international transit services. Its largest customers include O2 CR, T-Mobile Czech Republic and Vodafone Czech Republic. CETIN is rated Baa2 (stable outlook) and BBB (stable outlook) by Moody's and Fitch Ratings, respectively.

The Company does not have any other activities. The Company has a one-tier Board of Directors. The Board consists of two Managing Directors.

### **Developments during the financial year**

Among the significant events affecting the electronic communications market in 2020 was the Covid-19 pandemic, which has led to increased demand for fast and stable new generation access due to the transfer of a significant part of society to working from home and home-based education and increased efforts to digitise the economy. As a result of the pandemic, the significance and societal benefits of a resilient electronic communications infrastructure and services have substantially increased and contributed to stable financial performance of CETIN.

There were no significant developments in the Company's stand-alone operations in 2020. The Company continued servicing its debt through interest payments that have been paid to all bond holders, using funds from the interest received on the loan receivable from CETIN.

## **Financial position**

The total assets amount to CZK 21,297,904 thousand as at 31 December 2020 (31 December 2019: CZK 20,785,786 thousand). The Company has a positive working capital in the amount of CZK 73,605 thousand (31 December 2019: CZK 105,430 thousand) and a positive cash flow from operations totalling CZK 17,181 thousand (2019: CZK 17,017 thousand).

## **Financial instruments and risk management**

The Management Board is aware that the Company is exposed to certain risks and threats when conducting business primarily connected to its financial instruments. The directors of the Company believe that the current systems in place provide suitable tools for mitigating and controlling risks. For additional details on risks exposure and risk management of the Company, refer to note 15 in the financial statements.

## **Information supply and computerisation**

The Company's back office systems in use are mostly industry standard applications, mainly desktop office applications and ERP systems Microsoft, with certain levels of customisation.

## **Social aspects of operating the business**

The Company has no customer-facing operations. Operations are conducted by CETIN, the Company's parent. The parent entity has its own social policies that are reflective of specific local regulatory requirements and of specific local challenges and opportunities to contribute to larger society.

In general, as a telecommunication network operator, CETIN impacts on society in a positive way by connecting people at a level previously not possible, offering uninterrupted mobile voice and data connections anytime and in almost any location, providing means of communication, increased security, convenience, education and entertainment to ever larger groups of the population. This enables software and solutions developers to invent and deliver still new solutions that are profoundly changing the way of life for individuals and the way of doing business for companies and entrepreneurs. These new solutions often call for new advances in telecommunications and the two industries operate in a virtuous cycle, driving further innovations and growth of the telecommunications business.

Society has concerns about telecommunications that mainly focus on privacy and security. The Company's parent is continuously working on improving the privacy of its customers' data and increasing the resilience of the network against cyber-attacks and cyber frauds. The parent company is also working with the respective national law enforcement authorities on issues that focus on the safety of individuals and of the public from crime and terrorism.

The Company's fellow subsidiaries are contributing to these efforts by enabling the transfers of best practices across all telecommunication segments within the PPF Group.

The Company's fellow subsidiaries operate within the national and international supply chains for telecommunications equipment, software, and network construction materials. The fellow subsidiaries pay close attention to the selection of their suppliers, choosing them from the world's most reputable providers, and requiring certificates of quality and compliance of the products with all standards and regulations relevant to the import and operation of these products.

The outburst of COVID-19 pandemic and measures to contain and prevent spread of the disease has put the individuals, communities and the whole societies under intense pressure. The Company's fellow subsidiaries were in a fortunate position to be able to alleviate some of the newly emerged difficulties and provide vital support to local communities as well as at the national level. A wide range of telco services was provided for free or with a major discount during the first months of the pandemic, when the whole nations were coping with the changing ways of life. These included unlimited data for the customers, free broadcasting of government emergency messages, free COVID help lines and free lines for medical institutions, educational portals and libraries for telelearning and free or discounted entertainment during the first lockdown periods. Besides telecommunication services, the Group's companies as well as individual employees were helping medical institutions and healthcare workers through donations of lifesaving medical equipment, protective equipment and volunteer help.

### **Environmental influence and research and development**

The operations of the Company described above did not, to the best knowledge of the Management Board, have a significant impact on the environment.

The Group is aware of the importance of maintaining a healthy and undamaged environment for current and future generations. Its operating subsidiaries have therefore incorporated policy of limiting any negative environmental impacts resulting from their strategy and everyday activities. Targets leading to the lessening of any negative impacts on the environment in 2020 mainly focused on reducing energy consumption, fuel savings and replacing refrigerants in air-conditioning units, which will also lead to a reduction in the emission of greenhouse gases and other harmful substances into the air and to financial savings.

The Company did not engage in any research and development activities during 2020.

### **Staff development**

The Company did not employ any staff during 2020.

### **Code of conduct**

The Group has implemented a Corporate Compliance programme which sets out the fundamental principles and rules of conduct for all employees in the Group and enables compliance checks and putting remedies in place when shortcomings are discovered, or objectionable or illegal conduct identified. An important part of the programme is the PPF Group Code of Ethics, dealing, among other topics, with the protection of

human rights and the prevention of corrupt conduct in all Group activities. Internal guidelines entitled Corporate Compliance Internal Investigation further regulate how workers, managers and the governing and inspection bodies of the Group should proceed in case of suspicion, investigation and discovery of actions that are unethical or improper and/or contrary to legal regulations or the Code of Ethics of PPF Group.

### **Audit Committee**

An audit committee has been established at a higher level within the PPF Group (specifically at PPF Group N.V.) in compliance with all conditions of the Dutch transposition of Article 39 (3) (a) of Directive 2006/43/EC, as a result of which the Company as a public interest entity in the meaning of Article 2 (13) (a) of Directive 2006/43/EC and as PPF Group N.V.'s subsidiary is entirely exempt from obligations in respect of an audit committee. Due to the application of the aforementioned exemption, the audit committee of PPF Group N.V. follows all obligatory responsibilities in relation to the Company as the public interest entity.

### **Outlook 2021**

COVID-19 pandemic will likely continue affecting the business of the Company and its fellow subsidiaries in the following years. We will continue to follow closely the developments, anticipate possible risks and have mitigating solutions available. Some of the impacts of the pandemic may potentially present a business opportunity for the Group, such as greater demand for telecommunication services, telecommuting, telelearning, next generation of fixed and mobile access and rapidly increased digitalisation of operations by businesses. The Group will be prepared to exploit any new emerging new opportunities.

The Management Board assumes that the economic developments in general in Europe will not impact the performance of the Company directly. The Management Board anticipates that the Company's operating result for 2021 will remain at a level comparable with the preceding year.

The Company will repay the issued debt securities due in December 2021 using the proceeds from the corresponding loan receivable from CETIN.

The Company does not have the intent to make significant investments or divestments in 2021 or to change its primary business activities.

Amsterdam, 20 April 2021

On behalf of the Board of Directors of CETIN Finance B.V.

J.C. Jansen

**Statement of financial position**

TCZK	Note	31 December 2020	31 December 2019
<b>Non-current assets</b>			
Loan receivables	4	4,810,339	20,659,133
<b>Total non-current assets</b>		<b>4,810,339</b>	<b>20,659,133</b>
<b>Current assets</b>			
Loan receivables	4	16,364,702	21,793
Other receivables	6	26	103
Cash at banks	5	122,837	104,757
<b>Total current assets</b>		<b>16,487,565</b>	<b>126,653</b>
<b>Total assets</b>		<b>21,297,904</b>	<b>20,785,786</b>
<b>Capital and reserves</b>			
Issued capital	7	3	3
Share premium		55,418	55,418
Retained earnings		(25,289)	(4,093)
<b>Total equity</b>		<b>30,132</b>	<b>51,328</b>
<b>Non-current liabilities</b>			
Debt securities	8	4,853,812	20,713,235
<b>Total non-current liabilities</b>		<b>4,853,812</b>	<b>20,713,235</b>
<b>Current liabilities</b>			
Debt securities	8	16,413,195	20,431
Other liabilities	9	539	544
Income tax liability	11	226	248
<b>Total current liabilities</b>		<b>16,413,960</b>	<b>21,223</b>
<b>Total liabilities</b>		<b>21,267,772</b>	<b>20,734,458</b>
<b>Total liabilities and equity</b>		<b>21,297,904</b>	<b>20,785,786</b>

**Statement of profit or loss and other comprehensive income**

TCZK	Note	Year ended 31 December 2020	Year ended 31 December 2019
Interest income	4	316,051	308,268
Interest expense	8	(307,789)	(300,185)
<b>Net interest income</b>		<b>8,262</b>	<b>8,083</b>
General administrative expenses	10	(912)	(731)
<b>Net operating result</b>		<b>7,350</b>	<b>7,352</b>
Impairment loss on receivables	4	(27,530)	(3,099)
Foreign exchange result gain/(loss)	3.1	500	(211)
<b>Profit/(loss) before taxation</b>		<b>(19,680)</b>	<b>4,042</b>
Income tax expense	11	(1,516)	(1,480)
<b>Net profit/(loss) for the period</b>		<b>(21,196)</b>	<b>2,562</b>
<b>Other comprehensive income</b>			-
<b>Total comprehensive income for the period</b>		<b>(21,196)</b>	<b>2,562</b>
<b>Profit attributable to:</b>			
Owner of the company		(21,196)	2,562
Non-controlling interest		-	-
<b>Total comprehensive profit attributable to:</b>			
Owner of the company		(21,196)	2,562
Non-controlling interest		-	-

**CETIN Finance B.V.***Financial statements for the year ended 31 December 2020*

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**Statement of changes in equity**

TCZK	Issued capital	Share premium	Retained earnings	Total
<b>Balance at 1 January 2020</b>	<u>3</u>	<u>55,418</u>	<u>(4,093)</u>	<u>51,328</u>
<i>Total comprehensive income</i>				
Net loss for the period	-	-	(21,196)	(21,196)
<b>Balance at 31 December 2020</b>	<u>3</u>	<u>55,418</u>	<u>(25,289)</u>	<u>30,132</u>

TCZK	Issued capital	Share premium	Retained earnings	Total
<b>Balance at 1 January 2019</b>	<u>3</u>	<u>55,418</u>	<u>(6,655)</u>	<u>48,766</u>
<i>Total comprehensive income</i>				
Net profit for the period	-	-	2,562	2,562
<b>Balance at 31 December 2019</b>	<u>3</u>	<u>55,418</u>	<u>(4,093)</u>	<u>51,328</u>

**CETIN Finance B.V.***Financial statements for the year ended 31 December 2020***Statement of cash flows**

TCZK	Note	For the year ended 31 December 2020	For the year ended 31 December 2019
<b>Net profit/(loss) for the period</b>		<b>(21,196)</b>	<b>2,562</b>
<b>Adjustments for:</b>			
Interest income	4	(316,051)	(308,268)
Interest expense	8	307,789	300,185
Currency translation (net)		(500)	211
Tax expense	11	1,516	1,480
Impairment expense	4	27,530	3,099
<b>Net operating cash flows before changes in working capital</b>		<b>(912)</b>	<b>(731)</b>
Change in other receivables and payables	6, 9	52	291
<b>Cash flows used in the operations</b>		<b>(860)</b>	<b>(440)</b>
Interest paid	8	(296,697)	(287,982)
Interest received		316,257	307,148
Tax paid		(1,519)	(1,709)
<b>Cash flows from operating activities</b>		<b>17,181</b>	<b>17,017</b>
Repayments of loan receivable	4	-	-
<b>Cash flows from/(used in) investing activities</b>		<b>-</b>	<b>-</b>
Distribution of share premium		-	-
Repayments on bonds issue	8	-	-
<b>Cash flows from/(used in) financing activities</b>		<b>-</b>	<b>-</b>
<b>Change in cash and cash equivalents</b>		<b>17,181</b>	<b>17,017</b>
Cash and cash equivalents at beginning of the period		104,757	87,838
Effect of exchange rate changes on cash and cash equivalents		899	(98)
<b>Cash and cash equivalents at end of the period</b>		<b>122,837</b>	<b>104,757</b>

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1 General information**

The Company was incorporated with limited liability under the Dutch law on 7 September 2016. The registered office of the Company is in Amsterdam, the Netherlands. The address of the Company is Strawinskyalaan 933, Amsterdam, the Netherlands. The main activity of the Company is to act as a financing company.

The Company is a fully owned subsidiary of CETIN a.s. (formerly “Česká telekomunikační infrastruktura a.s.”) (“CETIN”) having its seat at Českomoravská 2510/19, Prague, Czech Republic.

These financial statements comprise Company’s stand-alone financial statements.

Board of Directors:

J.C. Jansen

M.M. van Santen

### **2 Basis of preparation**

#### **2.1 Statement of compliance**

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, including International Accounting Standards (“IASs”), promulgated by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) of the IASB.

#### **2.2 Basis of measurement**

The financial statements are prepared at the historical cost convention and are presented in Czech Koruna (“CZK”), and rounded to the nearest thousand. Assets and liabilities are stated at nominal value, unless stated otherwise.

#### **2.3 Functional and presentation currency**

The financial statements are presented in Czech Koruna, which is the Company’s functional currency.

#### **2.4 Use of judgement and estimates**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are those affecting valuation and possible impairment of loan receivables. Refer to Notes 3.2 c) and 4 for more details.

Impacts of COVID 19 pandemic on estimates and judgements have been considered and these have been updated where needed.

## **2.5 Going concern**

These financial statements have been prepared on the basis of the going concern assumption.

## **2.6 Changes in Accounting policies and accounting pronouncements adopted since 1 January 2020**

### *Amendment to IFRS 16 Leases: Covid 19 – Related Rent Concessions (effective from 1 June 2020)*

This amendment simplifies lessee's accounting for rent concessions in reaction to the impact of Covid 19 global situation and its potential impact on rent relationships. Rent concessions often meet the definition of a lease modification which might result in complex accounting (revised discount rate, adjustment of right-of-use assets). The IASB introduced a practical expedient for lessees under which the lessee is not required to assess whether eligible rent concessions that are a direct consequence of the Covid 19 pandemic are leases modifications. Instead, it accounts for them under other applicable guidance like variable lease payments and are recognised in profit or loss.

This amendment had no impact on the Company's financial statements.

### *Amendments to IFRS 3 Definition of Business Combinations (effective from 1 January 2020)*

The amendments to IFRS 3 Business Combinations narrowed and clarified the definition of a business. They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business.

These amendments had no impact on the Company's financial statements.

### *Interest Rate Benchmark Reform amendments to IFRS 9, IAS 39 and IFRS 7 (effective from 1 January 2020)*

The amendments modify specific hedge accounting requirements, so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark is not altered as a result of the interest rate benchmark reform.

The amendments are applied retrospectively to those hedging relationships that existed at the beginning of the reporting period in which an entity first applies the amendments or were designated thereafter, and to the gain or loss recognised in other comprehensive income that existed at the beginning of the reporting period in which an entity first applies the amendments.

The impact of these amendments on the Company's financial statements is nil.

*Amendments to IAS 1 and IAS 8: Definition of material (effective from 1 January 2020)*

The amendments provide a new definition of material that states, “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

These amendments had no impact on the Company’s financial statements.

*Amendments to References to Conceptual Framework (effective from 1 January 2020)*

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

These amendments had no impact on the Company’s financial statements.

## **2.7 Standards, interpretations and amendments to published standards that are not yet effective and are relevant for the Company’s financial statements**

A number of new Standards, amendments to Standards and Interpretations were not yet effective as of 31 December 2020, and have not yet been applied in preparing these financial statements. Of these pronouncements, potentially the following will have an impact on the Company’s operations. The Company plans to adopt these pronouncements when they become effective.

*Interest Rate Benchmark Reform – Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (effective from 1 January 2021)*

The amendments enable to reflect the effects of transitioning from benchmark interest rates, such as interbank offer rates (IBORs) to alternative benchmark interest rates without giving rise to accounting impacts that would not provide useful information to users of financial statements. The amendments are applied retrospectively and include reinstatement of hedge relationships that were discontinued solely due to changes directly required by the reform.

These amendments have been adopted by the EU in January 2021 and the Company does not expect them to have a significant impact on its financial statements.

*Amendments to IAS 16, IAS 37 and Annual Improvements 2018-2020 (effective from January 2022)*

These amendments and annual improvements, in general, bring some clarifications in the standards on various guidance and update some references.

These amendments have not yet been adopted by the EU and the Company does not expect them to have any impact on its financial statements.

*Amendments to IFRS 3 – References to the Conceptual Framework (effective from 1 January 2022)*

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

These amendments have not yet been adopted by the EU and the Company does not expect them to have any impact on its financial statements.

*Amendment to IFRS 9 Financial Instruments – Fees in the ‘10 per cent’ test for derecognition of financial liabilities (effective from 1 January 2022)*

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment has not yet been adopted by the EU and is not expected to have a material impact on the Company’s financial statements.

*Amendments to IAS 1 Presentation of Financial Statement Classification of Liabilities as Current or Non-current (expected effectiveness from 1 January 2023)*

These amendments to IAS 1 affect only the presentation of liabilities in the statement of financial position — not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. They clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period

and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability.

The amendments further clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

These amendments have not been adopted by the EU and the Company is assessing the potential impact on its financial statements resulting from the application of these amendments.

### **3 Significant accounting policies**

#### **3.1 Foreign currency transactions**

A foreign currency transaction is a transaction that is denominated or requires settlement in a currency other than functional currency. The functional currency is the currency of the primary economic environment in which an entity operates. For initial recognition purposes, a foreign currency transaction is translated into the functional currency using the foreign currency exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into Czech Koruna at rates of exchange prevailing at the reporting date (31 December 2020: CZK/EUR 26.245 and 31 December 2019: CZK/EUR 25.41). Transactions denominated in foreign currencies are translated at rates prevailing at the time the transaction occurred. Translation differences are recorded in the statement of profit or loss. Non-monetary items denominated in foreign currencies that are measured in terms of historical cost are translated using the exchange rate at the date of transaction. The share capital is recalculated by the closing foreign exchange rate through currency translation reserve at each reporting date.

#### **3.2 Financial instruments**

##### **a) Recognition and derecognition**

Financial assets and liabilities are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. For regular purchases and sales of financial assets, the Company's policy is to recognise them at the settlement date.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

**b) Classification and measurement**

*Financial assets*

IFRS 9 contains a classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 includes three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. In addition, on initial recognition the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is classified into one of these categories on initial recognition.

*Financial liabilities*

Financial liabilities are classified as subsequently measured at amortised cost or, when derivative or held for trading, at FVTPL. The Company can also irrevocably, at initial recognition, designate the financial liability at FVTPL meeting certain criteria. When designated at FVTPL, the financial liability's fair value change due to the Company's change in its credit risk is presented in OCI, unless such presentation creates or enlarge an accounting mismatch in profit or loss. Other changes in fair value are presented in profit or loss.

**c) Impairment**

The Company recognises allowances for expected credit losses (“ECLs”) on the following financial instruments that are not measured at FVTPL:

- loans and receivables;
- trade receivables and accrued income; and
- cash and cash equivalents;

IFRS 9 requires an impairment loss allowance to be recognised at an amount equal to either 12-month ECLs or lifetime ECLs. The Company measures impairment loss allowance at an amount equal to lifetime ECL, except for financial instruments on which credit risk has not increased significantly since their initial recognition, for which they are measured as 12-month ECL.

12-month ECLs are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as “Stage 1 financial instruments”.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as “Stage 2 financial instruments”.

*Measurement of ECL*

ECLs are a probability-weighted estimate of credit losses and is measured as follows:

- financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls – i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive
- financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows

The Company assesses a financial asset as credit-impaired when one or more of the following events occurs: the debtor is facing significant financial difficulty; it is probable that the debtor will enter bankruptcy or other financial reorganisation; the financial asset is more than 90 days overdue. Loss allowance for assets in Stage 3 is equal to the expected lifetime credit losses and the interest is calculated from the net value of the asset.

*Inputs into measurement of ECLs*

The key inputs into the measurement of ECLs are – in general – the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

The ECL is calculated as a multiple of  $PD * LGD * EAD$

PD is mostly derived from available market data, such as Moody's PD statistics, internally adjusted to the current macroeconomic forecasts.

LGD is estimated based on the history of recovery rates of claims against defaulted counterparties. It is calculated on a discounted cash flow basis using the effective interest rate as the discounting factor. For loans secured by retail property, loan-to-value (LTV) ratios are likely to be a key parameter in determining LGD and models will consider the structure, collateral, seniority of the claim, and recovery costs of any collateral that is integral to the financial asset.

EAD is equal to the gross carrying amount (book value) of the respective balance sheet item as of the reporting date.

**d) Fair value measurement principals**

The fair value of financial instruments is based on their quoted market price at the end of the reporting period without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the end of the reporting period for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the end of the reporting period.

**e) Offsetting**

Financial assets and liabilities are permitted to be set off and the net amount presented in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions. No amounts were offset in periods reported.

**3.3 Cash and cash equivalents**

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held at call with banks, short term deposits at banks with original maturity of three months or less, other short-term highly liquid investments readily convertible to a known amount of cash and subject to an insignificant risk of changes in value, and bank overdrafts. Cash and cash equivalents are carried at amortised cost less expected credit losses (impairment) in the statement of financial position.

**3.4 Other receivables and payables**

Other receivables and payables arise when the Company has a contractual obligation to receive or deliver cash or another financial asset. Other receivables and payables are measured at amortised cost, which is normally equal to their nominal or repayment value.

### **3.5 Equity**

Share capital represents the nominal value of shares issued by the Company.

Dividends on share capital, share premium reduction and other capital distributions are recognised as a liability provided that they are declared before the end of the reporting period. Dividends, share premium reduction and other capital distributions declared after the end of the reporting period are not recognised as a liability but are disclosed in the notes.

### **3.6 Income tax**

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the end of the reporting period. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### **3.7 Income and expense recognition**

Interest income and interest expense are recognised in profit or loss on an accrual basis, taking into account the effective yield of the asset or liability, or the applicable floating rate. Interest income and interest expense includes the amortisation of any discounts or premiums of other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated using the effective interest rate method.

Dividend income is recognised in profit or loss on the date that the dividend is declared.

Other income and expense items are recognised in profit or loss when the corresponding service is provided.

### **3.8 Operating expenses**

Operating expenses are accounted for in the period in which these are incurred. Losses are accounted for in the year in which they are identified.

**3.9 Impairment**

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated.

The recoverable amount of the Company's investment in subsidiaries and other assets is greater of their value less the cost to sell and their value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In respect of other assets, an impairment loss is reversed through profit or loss if there has been an increase in the recoverable amount and increase can be objectively related to an event occurring after the date of the impairment. An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount of the asset that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**4 Loan receivables**

The Company provided the following loans to the parent company CETIN.

<b>In TCZK</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
Loans in CZK	4,821,768	4,821,768
Loans in EUR	16,378,521	15,857,428
Accrued interest	22,345	21,793
Allowance for impairment	(47,593)	(20,063)
<b>Total loans</b>	<b>21,175,041</b>	<b>20,680,926</b>
Repayable:		
Within one year	16,400,866	21,793
Between one and five years	4,821,768	20,679,196
More than five years	-	-
Allowance for impairment on loan maturing within one year	(11,429)	
Allowance for impairment on loan maturing after one year	(36,164)	(20,063)
<b>Total loans</b>	<b>21,175,041</b>	<b>20,680,926</b>

As per 31 December 2020 the impairment allowance balance was TCZK 47,593 (2019: TCZK 20,063). The 2020 change in impairment allowance of TCZK 27,530 was reflected in profit or loss (2019: TCZK 3,099).

**Provided Loans Analysis**

<b>In TCZK</b>			<b>31 December 2020</b>		<b>31 December 2019</b>	
Utilization date	Maturity date	Currency	Nominal amount	Net carrying amount	Nominal amount	Net carrying amount
7 December 2016	6 December 2021	EUR	16,378,521	16,359,718	15,857,428	15,858,851
7 December 2016	6 December 2023	CZK	<u>4,821,768</u>	<u>4,815,323</u>	<u>4,821,768</u>	<u>4,822,075</u>
<b>Total</b>			<b>21,200,288</b>	<b>21.175,041</b>	<b>20,679,196</b>	<b>20,680,926</b>

Provided loans bear fixed interest rates in the range from 1,451% to 1,4881% (31 December 2019: 1,451% to 1,4881%). All interest income comes from the parent company CETIN.

The terms and conditions of these loans were not more favourable than those available, or which might reasonably be expected to be available, in similar transactions with non-related companies on an arm's length basis.

**5 Cash at banks**

<b>In TCZK</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
Bank balance in EUR	40,792	32,007
Bank balance in CZK	<u>82,045</u>	<u>72,750</u>
<b>Total</b>	<b><u>122,837</u></b>	<b><u>104,757</u></b>

Cash is freely available.

Cash in amount of TCZK 122,628 (2019: TCZK 99,856) is held at PPF banka a.s. (a related party). The interest income from the related party amounts to TCZK 10 (2019: TCZK 8) and general administrative expenses charged by the related party amount to TCZK 1 (2019: TCZK 1).

**6 Other receivables**

In 2020 other receivables in amount of TCZK 26 (2019: TCZK 103) related to certain charges for the issuance of bonds. These charges will be recharged to the parent company CETIN.

## 7 Equity

### 7.1 Share capital

<b>In EUR</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
Authorised capital (100 shares)	100	100
Issued and fully paid up (100 shares)	100	100
Nominal value	1	1

The holder of ordinary shares is entitled to receive dividends as declared from time to time and is entitled to one vote per share at meetings of the Company.

The Netherlands Civil Code article 2.373.5 requires the Company to translate its issued share capital from its registered currency to presentation currency at the exchange rate effective on the reporting date. Effect of this translation is presented in the Foreign Currency Translation reserve, which is a non-distributable reserve.

The share capital was translated from EUR to CZK using historical exchange rate CZK/EUR 27.02.

### 7.2 Share premium

Share premium is the amount by which the amount received by the Company is in excess of par value of its shares. Share premium is freely distributable. There was no change in share premium in 2020 (2019: nil).

## 8 Debt securities

The Company issued the following debt securities:

<b>In TCZK</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
Bonds in CZK	4,847,494	4,841,175
Bonds in EUR	16,398,554	15,872,060
Accrued interest	20,960	20,431
<b>Total debt securities</b>	<b>21,267,008</b>	<b>20,733,666</b>
Repayable:		
Within one year	16,413,195	20,431
Between one and five years	4,853,813	20,713,235
More than five years	-	-
<b>Total debt securities</b>	<b>21,267,008</b>	<b>20,733,666</b>

**Issued Bonds Analysis**

<b>In TCZK</b>				<b>31 December 2020</b>	
Date of issue	Maturity	ISIN	Currency	Nominal value	Carrying amount
6 December 2016	6 December 2021	XS1529934801	EUR*	16,403,125	16,415,182
6 December 2016	6 December 2023	XS1529936335	CZK	4,866,000	4,851,826
<b>Total</b>				<b>21,269,125</b>	<b>21,267,008</b>

<b>In TCZK</b>				<b>31 December 2019</b>	
Date of issue	Maturity	ISIN	Currency	Nominal value	Carrying amount
6 December 2016	6 December 2021	XS1529934801	EUR*	15,881,250	15,888,159
6 December 2016	6 December 2023	XS1529936335	CZK	4,866,000	4,845,507
<b>Total</b>				<b>20,747,250</b>	<b>20,733,666</b>

\* As at 31 December 2020, the nominal value of EUR bond amounted to EUR 625 million (31 December 2019: EUR 625 million)

During 2020 and 2019, the Company was in compliance with all applicable terms of the bond issues. Certain bonds issue related costs were amortized and are part of the effective interest rate.

Issued bonds have stated fixed interest rates in the range from 1.25% to 1.423% (31 December 2019: 1.25% - 1.423%).

During 2020 and 2019 CETIN has granted to the Company a guarantee for non-fulfilment of Company's liabilities in connection with the bonds issued. The guarantee constitutes a direct and unconditional obligation of CETIN which is at all times ranked *pari passu* with all other present and future unsecured obligations of CETIN, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

Net proceeds received by CETIN Finance B.V. from bonds emission were granted in full amount to CETIN as loan (see Note 4).

As at 31 December 2020, CETIN had available undrawn committed facility of up to EUR 625 million concluded with the bank syndicate on 31 July 2020. This facility (Term and Revolving Facilities of up to EUR 625 million) shall serve as the liquidity back-up for 6 December 2021 bond refinancing. The facility terminates on 6 December 2023.

**CETIN Finance B.V.***Notes to the financial statements for the year ended 31 December 2020***Reconciliation of movements of liabilities to cash flows arising from financing activities:**

	<b>Liabilities</b>	<b>Equity</b>	<b>Total</b>
<b>In TCZK</b>	<b>Debt securities issued</b>	<b>Share premium</b>	
<b>Balance as at 1 January 2020</b>	<b>20,733,666</b>	<b>55,418</b>	<b>20,789,084</b>
<b>Changes from financing cash flows</b>	<u>-</u>	<u>-</u>	<u>-</u>
Other changes			
Interest expense	307,779	-	307,779
Interest paid	(296,687)	-	(296,687)
Effect of changes in FX rates	522,250	-	522,250
<b>Total other changes</b>	<u>533,342</u>	<u>-</u>	<u>533,342</u>
<b>Balance as at 31 December 2020</b>	<u>21,267,008</u>	<u>55,418</u>	<u>21,322,426</u>

	<b>Liabilities</b>	<b>Equity</b>	<b>Total</b>
<b>In TCZK</b>	<b>Debt securities issued</b>	<b>Share premium</b>	
<b>Balance as at 1 January 2019</b>	<b>20,919,484</b>	<b>55,418</b>	<b>20,974,902</b>
<b>Changes from financing cash flows</b>	<u>-</u>	<u>-</u>	<u>-</u>
Other changes			
Interest expense	300,185	-	300,185
Interest paid	(289,128)	-	(289,128)
Effect of changes in FX rates	(196,875)	-	(196,875)
<b>Total other changes</b>	<u>(185,818)</u>	<u>-</u>	<u>(185,818)</u>
<b>Balance as at 31 December 2019</b>	<u>20,733,666</u>	<u>55,418</u>	<u>20,789,084</u>

**9 Other liabilities**

<b>In TCZK</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
Accounts payable	14	36
Accrued expenses	525	508
<b>Total</b>	<u>539</u>	<u>544</u>

**10 General administrative expenses**

<b>In TCZK</b>	<b>2020</b>	<b>2019</b>
Professional services	898	708
Other financial services	14	23
<b>Total</b>	<b>912</b>	<b>731</b>

Professional services represent mainly consulting and audit fees.

In 2020 Professional services contain management and other service fees charged by PPF Group N.V. (ultimate parent entity) in amount of TCZK 83 (2019: TCZK 75).

**11 Income tax**

<b>In TCZK</b>	<b>2020</b>	<b>2019</b>
Profit/(loss) before tax	(19,680)	4,042
Non-deductible costs	27,530	3,099
<b>Profit taxable</b>	<b>7,850</b>	<b>7,141</b>
Income tax – 16.5%	(866)	-
Income tax – 19%	-	(965)
Income tax – 25%	(650)	(515)
<b>Income tax expense</b>	<b>(1,516)</b>	<b>(1,480)</b>
Income tax settlement during the period	1,519	1,709
Other	19	-
<b>Income tax asset/(liability) as at 31 December</b>	<b>(226)</b>	<b>(248)</b>
<b>Effective tax rate</b>	<b>19.3%</b>	<b>20.7%</b>

**12 Audit fee**

With reference to Section 2:382a(1) and (2) of the Dutch Civil Code, the fee in relation to the 2020 financial statements that have been charged by KPMG Accountants N.V. to the Company amount to TCZK 722 (2019: TCZK 508). No other engagements, tax related advisory services and other non-audit services have been provided by KPMG Accountants N.V. to the Company.

**13 Employees and directors**

The Company did not employ any personnel in 2020 (2019: none). The Company had two directors as at 31 December 2020 (31 December 2019: two). During 2020 and 2019 directors of the Company were not entitled to any remuneration.

## **14 Related parties**

The Company has a related party relationship with its parent and other related parties (PPF Group entities). All transactions with related parties are disclosed in the individual disclosures above.

Furthermore, the key management personnel of the Company, plus the close family members of such personnel and other parties which are controlled, jointly controlled or significantly influenced by such individuals and entities in which the individuals hold significant voting power are also considered related parties. The Company did not conclude any transaction with these related parties in 2020 and 2019.

## **15 Financial risk management**

The Company is exposed to a variety of financial risks, including the effects of changes in debt market prices, foreign currency exchange rates and interest rates as a result of debt taken and loans provided. Management of the risk arising from financial instruments is fundamental to the Company's business and is an essential element of the Company's operations. The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The risks are managed in the following manner:

### **(i) Foreign currency risk**

The Company's exposure to foreign currency risk arising from exposures in other currencies than CZK is limited. Foreign currency risk arising from issued bond denominated in EUR is mitigated by the provided loan at almost the same terms (currency, amount, interest rate, maturities) as the issued bond. The remaining foreign currency risk resulting from slightly different amounts between EUR denominated loan and the nominal amount of the issued bond is not significant.

### **(ii) Interest rate risk**

As at reporting date, the Company has not been exposed to interest rate risk arising from any interest rate gap as maturities and nominal amounts of interest-bearing financial assets are almost the same as those of interest bearing financial liabilities. Therefore, the Company's exposure to interest rate risk is naturally limited.

The Company does not classify and measures its financial assets or financial liabilities at fair value. Therefore, a change in interest rates at the reporting date would not affect profit or loss or equity of the Company.

**(iii) Liquidity risk**

Liquidity risk represents the risk of being unable to meet obligations as they become due. The Company continually assesses its liquidity risk with the PPF Group treasury by identifying and monitoring changes in the funding required to meet the business goals. The Company is funded by equity and issued bonds.

The table below summarizes the maturity profile of the Company's financial assets and liabilities at 31 December 2020 and at 31 December 2019 based on contractual undiscounted payments. Amounts include projections of future interest.

**As at 31 December 2020**

<b>In TCZK</b>	<b>Less than 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>	<b>&gt; 5 years</b>
Cash at banks	122,837	-	-	-
Loan receivables	-	16,692,213	4,961,696	-
Other receivables	26	-	-	-
Debt securities	-	(16,692,796)	(4,969,144)	-
Other liabilities	(539)	-	-	-
Income tax liability	(226)	-	-	-
<b>Total</b>	<b>122,098</b>	<b>(583)</b>	<b>(7,448)</b>	<b>-</b>

**As at 31 December 2019**

<b>In TCZK</b>	<b>Less than 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>	<b>&gt; 5 years</b>
Cash at banks	104,757	-	-	-
Loan receivables	-	306,776	21,125,070	-
Other receivables	103	-	-	-
Debt securities	-	(287,601)	(21,155,715)	-
Other liabilities	(792)	-	-	-
<b>Total</b>	<b>104,068</b>	<b>19,175</b>	<b>(30,645)</b>	<b>-</b>

**(iv) Credit risk**

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's loan and other receivables.

The carrying amounts of financial assets represent the maximum credit exposure.

*Loan and other receivables*

The Company's exposure to credit risk is limited, as almost all credit transactions are made with the parent company which is an investment grade rated.

*Cash and cash equivalents*

The Company held cash and cash equivalents of TCZK 122,837 at 31 December 2020. The cash and cash equivalents are held with a reputable bank institution.

**(v) Fair values estimation**

The Company uses the following hierarchy to determine and disclose the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs that have a significant effect on the recorded fair value and that are not based on observable market data.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value:

**In TCZK**

		31 December 2020				
	Note	Level 1	Level 2	Level 3	Fair value	Carrying amount
<b>Financial assets</b>						
Cash and cash equivalents	5	-	-	-	-	122,837
Loan receivables	4	-	21,408,000	-	21,408,000	21,175,041
Other receivables	6	-	-	-	-	26
<b>Financial liabilities</b>						
Debt securities	8	-	21,408,000	-	21,408,000	21,267,008
Other liabilities	9	-	-	-	-	539

**In TCZK**

		31 December 2019				
	Note	Level 1	Level 2	Level 3	Fair value	Carrying amount
<b>Financial assets</b>						
Cash and cash equivalents	5	-	-	-	-	104,757
Loan receivables	4	-	20,974,000	-	20,974,000	20,680,926
Other receivables	6	-	-	-	-	103
<b>Financial liabilities</b>						
Debt securities	8	-	20,974,000	-	20,974,000	20,733,666
Other liabilities	9	-	-	-	-	544

During the current year end, the bonds were not actively traded. The estimated fair value of issued bonds was derived using a valuation technique based on observable market inputs. Therefore, these securities are disclosed in Level 2 of the fair value hierarchy as at 31 December 2020 and 2019

The fair value of loan receivable is determined from the bonds market price as conditions of the loan receivable are almost the same (currency, amount, interest rate, maturities) as the issued bonds.

The Company does not have any financial instruments reported in the statement of financial position at fair value.

## 16 Segment reporting

The Company represents one reportable segment that has central management and follows a common business strategy. The revenue is attributable to interest income from a loan provided to Company's parent entity domiciled in the Czech Republic.

## 17 Events after the reporting period

There have not been significant events after the reporting period.

## 18 Profit appropriation for 2020

The allocation of profits accrued in a financial year ended 31 December 2020 shall be determined by the General Meeting of Shareholders. Distribution of profits shall be made after adoption of the annual accounts if permissible under the law given the contents of the annual accounts. The General Meeting of Shareholder may resolve at the proposal of the management board to make interim distributions and/or to make distributions at the expense of any reserve of the Company. Distributions may be made only up to an amount which does not exceed the amount of the distributable equity.

## **19 Confirmation**

The Company's financial statements for the year ended 31 December 2020 give a true and fair view of the Company's financial condition and operations as at and for the year ended 31 December 2020.

Date: 20 April 2021	Signature of the Board of Directors:
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### **Other information**

#### **Offices**

The Company has its operating office in the Netherlands. For details in this respect please refer to Note 1 of the financial statements.

#### **Auditor's report**

The auditor's report with respect to the Company financial statements is set out on page 31.



# Independent auditor's report

To: the General Meeting of Shareholders and the Board of Directors of CETIN Finance B.V.

## **Report on the audit of the financial statements 2020 included in the annual report**

### ***Our opinion***

In our opinion the accompanying financial statements give a true and fair view of the financial position of CETIN Finance B.V. as at 31 December 2020 and of its result and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

### ***What we have audited***

We have audited the financial statements 2020 of CETIN Finance B.V. (the Company) based in Amsterdam, the Netherlands.

The financial statements comprise:

- 1 the statement of financial position as at 31 December 2020;
- 2 the following statements for 2020: statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows; and
- 3 the notes comprising a summary of the accounting policies and other explanatory information.

### ***Basis for our opinion***

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of CETIN Finance B.V. in accordance with the EU Regulation on specific requirements regarding statutory audits of public-interest entities, the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

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



## **Audit approach**

### **Summary**

#### **Materiality**

- The Company materiality of CZK 170 million
- Based on total assets (0.8%)

#### **Key audit matters**

- Valuation of loan receivables

#### **Opinion**

Unqualified

### **Materiality**

Based on our professional judgement we determined the materiality for the financial statements as a whole at CZK 170 million (2019: CZK 104 million). The materiality is determined with reference to total assets (0.8 %). We consider total assets as the most appropriate benchmark because as CETIN Finance B.V. is a financing vehicle that provides financing to its parent Česká telekomunikační infrastruktura a.s. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Board of Directors that misstatements in excess of CZK 8.5 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

### **Audit scope in relation to fraud**

In accordance with the Dutch standards on auditing we are responsible for obtaining a high (but not absolute) level of assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error.

As part of our risk assessment process we have evaluated events or conditions that indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud ('fraud risk factors') to determine whether fraud risks are relevant to our audit. During this risk assessment we made use of our own forensic specialist.

We communicated identified fraud risks throughout our team and remained alert to any indications of fraud throughout the audit. This included communication from the group to component audit teams of relevant fraud risks identified at group level.



In accordance with the auditing standard, we evaluated the fraud risk. The presumed fraud risk on the revenue recognition was not considered a significant risk to our audit. The other fraud risks that are relevant to our audit, are:

— Fraud risk in relation to management override of controls (a presumed risk).

Our audit procedures included an evaluation of the design, implementation as well as the operating effectiveness of internal controls relevant to mitigate these risks and substantive audit procedures, including detailed testing of high risk journal entries and evaluation of management bias.

We communicated our risk assessment and audit response to management and the Audit Committee. Our audit procedures differ from a specific forensic fraud investigation, which investigation often has a more in-depth character. Our procedures to address fraud risks did not result in a key audit matter.

We do note that our audit is based on the procedures described in line with applicable auditing standards and are not primarily designed to detect fraud.

#### ***Audit scope in relation to non-compliance with laws and regulations***

We have evaluated facts and circumstances in order to assess laws and regulation relevant to the company.

We identified laws and regulations that could reasonably be expected to have a material effect on the financial statements based on our general understanding and sector experience, through discussion with relevant management and evaluating the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. The potential effect of these laws and regulations on the financial statements varies considerably:

- Firstly, the company is subject to laws and regulations that directly affect the financial statements including taxation and financial reporting (including related company legislation). We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.
- Secondly, the company is subject to many other laws and regulations where the consequences of non-compliance could have an indirect material effect on amounts recognized or disclosures provided in the financial statements, or both, for instance through the imposition of fines or litigation.

Auditing standards limit the required audit procedures to identify non-compliance with laws and regulations that have an indirect effect to inquiring of relevant management and inspection of regulatory and legal correspondence, if any.

Our procedures to address compliance with laws and regulations did not result in the identification of a key audit matter.



We do note that our audit is not primarily designed to detect non-compliance with laws and regulations and that management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud, including compliance with laws and regulations.

The more distant non-compliance with indirect laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

### ***Our key audit matters***

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Board of Directors. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## **Valuation of Loan Receivables**

### **Description**

The Company is a financing entity only entering into financing arrangements with its parent entity (Česká telekomunikační infrastruktura, a.s.). The financial performance of the Company going forward will be dependent on the ability of the parent entity to repay the loans including accrued interest. This is highlighted in Note 15 (iv) of the financial statements. Given this pervasive impact on the financial statements of the Company, we consider this a key audit matter.

### **Our response**

We have evaluated the appropriateness of the accounting policies based on IFRS 9's requirements, our business understanding and industry practice. Management of the Company has assessed the financial robustness of the financial position and liquidity of Česká telekomunikační infrastruktura a.s. to meet its obligation regarding the loan receivables. We have assessed management's analysis and have verified it to the relevant source data, such as the audited consolidated financial statements of the parent and external rating agencies' reports (Moody's Investor Services).



### **Our observation**

We found that the credit risk related to loan receivables due from Česká telekomunikační infrastruktura a.s. has been appropriately taken into account and disclosed in the financial statements.

### **Report on the other information included in the annual report**

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the Director's report;
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code; and

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements; and
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The Board of Directors of CETIN Finance B.V. is responsible for the preparation of the other information, including the Director's report in accordance with Part 9 of Book 2 of the Dutch Civil Code and the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

### **Report on other legal and regulatory requirements**

#### ***Engagement***

We were engaged by the Board of Directors as auditor of CETIN Finance B.V. on 22 December 2020, as of the audit for the year 2020 and have operated as statutory auditor.

### **Description of responsibilities regarding the financial statements**

#### ***Responsibilities of the Board of Directors for the financial statements***

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Board of Directors is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.



As part of the preparation of the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Board of Directors should prepare the financial statements 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 Board of Directors should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

### ***Our responsibilities for the audit of the financial statements***

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

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. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A further description of our responsibilities for the audit of the financial statements is included in appendix of this auditor's report on the next page. This description forms part of our auditor's report.

Amstelveen, 20 April 2021

KPMG Accountants N.V.

F.A.M. Croiset van Uchelen RA

Appendix:

Description of our responsibilities for the audit of the financial statements



## Appendix

### Description of our responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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 the risk resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control 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 control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;
- concluding 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 a company to cease to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe



these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.