

**CETIN a.s.**

Consolidated Half-Yearly Report 2022

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Note:

CETIN a.s. is also hereinafter referred to as “**CETIN**” or the “**Company**”. CETIN and its hereinafter specified subsidiaries are hereinafter also referred to as the “**CETIN Group**” or “**Group**”.

# Business overview

## Factors affecting business activities and results in the first half of 2022

### Telecommunications market in the Czech Republic

In the first half of 2022, CETIN continued with the complete upgrade of the mobile network operated for O2 Czech Republic to single RAN with 5G technology. CETIN also continued to massively invest in the deployment of fibre optic FTTH networks. T-Mobile Czech Republic and Vodafone announced an intent to jointly deploy fibre access network in the Czech Republic, with mutual access to parts of already existing network being part of the intended cooperation as well. Market consolidation trend continued over this period with Telco Pro Services and PODA taking over smaller local operators.

### The development of regulation and associated legislation

The Amendment to Act 127/2005 Coll. on electronic communications (“Electronic Communications Act”) transposing Directive (EU) 2018/1972 of the European Parliament and of the Council of 11 December 2018 establishing the European Electronic Communications Code was became effective on 1 January 2022, followed by respective ordinances and regulations.

The Company remains designated as having significant market power and complies with regulatory obligations imposed on the Company as a result of adopted analyses and measures. These include the obligation to provide access in the relevant markets for fixed call termination, local access at a fixed location, the market for services with central access at a fixed location for mass-market products, and the market for wholesale high quality data services under the terms and conditions set by the remedy decisions.

A new round of reviews of all markets is underway. The Czech Telecommunications Office (“CTO”) continues with its analyses of market 1 (wholesale local access provided at a fixed location) and market 3b (wholesale central access in a fixed location for mass market services). A new General Measure Analysis of the Market A/2/07.2022-13 – dedicated wholesale capacity has been adopted by the CTO, which declares this market fully competitive. The CTO also proposed a change in the General Measure Analysis of the Market A/1/04.2020-3 – call termination in public telephone networks in fixed location, removing the significant market power status from CETIN as the company has ceased to provide the termination service in the preceding year.

### State policy and support of high-speed Internet access

In the first half of 2022, the European Commission and the Czech Republic concluded a partnership agreement, which oversees the use of European funds in the current budgetary period 2021–2027, including the funding for electronic communications networks deployment. The government and the EU Council approved the National Recovery Plan, which should enable the use of funds from the EU’s Recovery and Resilience Facility. The share of funds allocated for high-capacity networks is about CZK 5.7 billion.

### Business activities of the Company

CETIN Group is formed by CETIN a.s. and its subsidiaries CETIN Finance B.V. and CETIN služby s.r.o. In addition to its subsidiaries, the Company has registered permanent establishments also in Austria and Germany. In the first half of 2022, the decisive part of the Company’s services was provided through communication networks and related assets in the Czech Republic. The permanent establishments in Germany and Austria have allowed the Company to operate access points abroad to provide international transit services to foreign operators. The subsidiary CETIN Finance B.V. based in the

Netherlands was used to issue bonds and provide financing for the Company. The subsidiary CETIN služby s.r.o. did not generate any business activity in the first half of 2022.

The Company only provides wholesale telecommunication infrastructure services to other telecommunication operators. The Company does not provide services directly to end users.

The Company divides its business activities into two segments – provision of national network services and international transit services. These two segments operate in different markets; the services are largely provided via different assets, and their business models, profitability and investment demands are fundamentally different.

The national network services primarily consist of mobile network services, mass fixed-line network services – network access service, xDSL, FTTH/FTTB, IPTV and voice service, data services, data centres and other services. Their main customers are service providers in the Czech telecommunications market. These services yield gross margins at industry standard level, which the Company reinvests in the development of network infrastructure for the provision of these services.

The international transit services primarily consist of the transmission of international voice traffic for international operators from all over the world. This type of service is characterised by considerable revenues with a very low margin, although only minimum operating and capital costs are required.

A significant source of the Company's revenues and profits in the first half of 2022 were three major contracts with O2 Czech Republic a.s.: a contract on the provision of mobile network services, a contract on access to the public fixed-line telecommunication network, and a contract on the provision of data centre services. The contracts represent a long-term obligation on the part of O2 Czech Republic a.s. to use the Company's services, and the Company's commitment to the agreed service levels and their improvement.

Cooperation with T-mobile Czech Republic a.s. and Vodafone Czech Republic a.s. is being extended. The successful development of these business relationships and thus the provision of wholesale electronic communications services to all major retail telecommunications operators in the Czech Republic confirm the Company's position as a successful independent wholesale operator.

## Commented financial results

This section provides comments on the financial results of CETIN Group in the first half of 2022. For detailed information, see the Interim Consolidated Financial Statements for the financial period ended on 30 June 2022 in the following section of this Half-yearly Report.

### Revenues, costs and profit

The total revenues of the CETIN Group amounted to CZK 9.2 billion in the first half of 2022. Total operating costs reported by CETIN Group were CZK 4.7 billion, with the major part represented by cost of sales in the international transit segment. CETIN Group reported a total of CZK 0.7 billion of payroll costs. Other significant cost items were the property maintenance expenses and operation and network operating and maintenance expenses.

The operating profit before impairment loss, interest, tax, depreciation and amortization (EBITDA) amounted to CZK 4.5 billion in the first half of 2022, with the predominant part of the profit coming from the national network services segment. CETIN Group's profit after tax amounted to CZK 1.2 billion in the first half of 2022.

EBITDA for the first half of 2022 adjusted for the IFRS 16 impact amounted to CZK 4,0 billion.

### Fixed tangible assets

Reduced by depreciation and other adjustments during the year, the net value of land, buildings and equipment required for the operations of the Company was CZK 47.4 billion as of 30 June 2022.

### Cash and debt

In 2016, CETIN's subsidiary CETIN Finance B.V. issued Eurobonds in the total amount of CZK 7.9 billion and EUR 625 million, with maturities of 1 year (CZK 3 billion), 5 years (EUR 625 million), and 7 years (CZK 4.9 billion). On 6 December 2021, the tranche of Eurobonds, amounting to EUR 625 million, was redeemed. As of 30 June 2022, the outstanding tranche of Eurobonds amounts to CZK 4.9 billion. The bonds are admitted for trading on the Euronex Dublin. Should CETIN Finance B.V. default on the bond related liabilities, CETIN will be obliged to meet the liabilities as a guarantor.

As of 31 December 2021, the Company had an intra-group loan of EUR 625 million provided by CETIN Group B.V. This loan was drawn down on 3 December 2021 and was used to refinance the above-mentioned tranche of Eurobonds in the amount of EUR 625 million.

For detailed information on bonds, see Note 16 of the Notes to the Financial Statements included herein.

### Profit distribution and other payments to shareholders

The General Meeting, held on 3 March 2022, approved the statutory financial statements for year ended 31 December 2021 and approved the distribution of profit for the year 2021 in the total amount of CZK 2,574 million. The distribution of dividends was approved in the total amount of CZK 1,850 million. The first instalment in the amount of CZK 963 million was paid on 31 March 2022, the remaining part of the dividend in the amount of CZK 887 million will be paid in maximum of two installments and no later than on 31 December 2022.

Contribution to the social fund was approved in the amount of CZK 3 million.

The remaining part of the profit for the year 2021 in the amount of CZK 721 million was approved to be transferred to the account of retained earnings of previous years.

## Capital expenditure

In the first half of 2022, CETIN Group acquired fixed assets in the amount of CZK 2.7 billion. These investments were mainly channelled into the development of the telecommunication infrastructure. The main investment projects included the continued modernisation of the fixed-line network with FTTC, FTTH and FTTB technology, strengthening the capacity of mobile networks and increasing its density and replacing older technologies with current ones.

## Cash flows

The CETIN Group's operating cash flow amounted to CZK 4.4 billion in the first half of 2022. After working capital changes and income tax paid, the net cash flows from operating activities amounted to CZK 4.1 billion. Net cash flows used in investment activities amounted to CZK 2.7 billion, mainly comprising investments in network infrastructure development.

The cash flows used in financing activities principally consisted of dividend payment of CZK 0.96 billion, expenses related to interest and lease payments of CZK 0.5 billion and payments of interests from the intra-group loan of CZK 0.1 billion.

In total, the net cash position has thus decreased by CZK 0.2 billion in the first half of 2022. The cash flows from the CETIN Group's operating activities were mainly used for investment in the telecommunications infrastructure development (CZK 2.7 billion) and for payments to shareholders (CZK 0.96 billion).

## Information about own shares

The Company did not acquire its own shares in the first half of 2022.

## Outlook for the forthcoming period

In the period ahead, the Company will continue to focus on modernising and developing its telecommunications infrastructure and improving the efficiency of its operations. In the business area, the Company will maintain and improve the satisfaction of its existing customers with the services it provides, while actively seeking to attract new customers in both business segments. The Company expects to continue to maintain its position in the Czech telecommunications market through the best and largest networks, attractive products (mainly FTTH) and services with favourable prices, and neutrality towards all operators in the market. In the international voice transit segment, the Company uses its access points abroad and develops cooperation with both existing and new business partners from all over the world.

Investments in the modernisation of fixed networks will be further directed in the coming years towards the construction of FTTH (fibre to the home) networks, which will enable the Company to improve its competitive position with the ability to offer stable high-speed internet to the home with a speed of 1 Gbps. The construction of a fibre optic infrastructure for business customers will also continue. The Company will continue with its complete modernisation of the technologies used in its mobile network, including 5G technology implementation.

In its operations, the Company will continue to focus on improving the efficiency of its operating model, increasing flexibility in delivering services to customers and enhancing customer satisfaction.

In its financial performance, the Company expects modest revenue growth in mobile services and fixed internet services, which will offset the expected continued decline in interest in fixed voice services in a part of the domestic market. In the international voice transit market, the Company will offset continued competitive pressure on margins in the medium term by penetrating new regions and by using a new business model of cooperation with international operators. Continued increases in capital expenditures for the development and modernisation of the telecommunications infrastructure will not significantly impact the Company's ability to generate stable free cash flow in future periods.

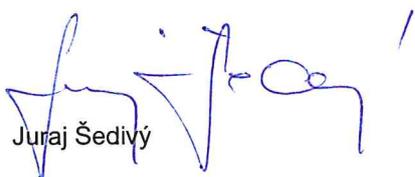
## Statement by the persons responsible for the half-yearly report

Juraj Šedivý, chairman of the Board of Directors of CETIN a.s.

and

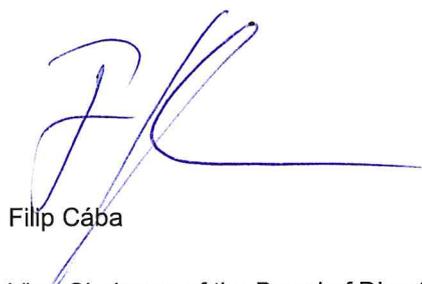
Filip Cába, vice-chairman of the Board of Directors of CETIN a.s.

hereby state that, to the best of their knowledge, the consolidated half-yearly report gives a true and fair view of the financial situation, business and the results of the Company and the undertakings included in the consolidation as a whole for the past accounting period, and of the outlook on the future development of the financial situation, business and results.



Juraj Šedivý

Chairman of the Board of Directors



Filip Cába

Vice-Chairman of the Board of Directors

Appendix:

Interim consolidated financial statements

**CETIN a.s.**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2022**

**PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL  
REPORTING STANDARD IAS 34 INTERIM FINANCIAL REPORTING**

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## CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

| In CZK million  | Note | For the period ended |              |
|---|------|----------------------|--------------|
|   |      | 30 June 2022         | 30 June 2021 |
| Revenues  | 5    | 9,124                | 8,942        |
| Other income from non-telecommunication services  |      | 50                   | 26           |
| Expenses  |      | (4,724)              | (4,577)      |
| <b>Earnings before impairment loss, interest, tax, depreciation and amortization (EBITDA)</b> |      | <b>4,450</b>         | <b>4,391</b> |
| Depreciation and amortisation (incl. depreciation of right of use assets)                     |      | (2,703)              | (2,631)      |
| Impairment loss   |      | (23)                 | (30)         |
| <b>Operating profit (EBIT)</b>  |      | <b>1,724</b>         | <b>1,730</b> |
| Finance income  |      | 156                  | 90           |
| Finance costs   |      | (379)                | (267)        |
| Profit before tax   |      | 1,501                | 1,553        |
| Corporate income tax  | 6    | (315)                | (323)        |
| <b>Profit for the period</b>  |      | <b>1,186</b>         | <b>1,230</b> |
| <b>Other comprehensive income</b>   |      |                      |              |
| <b>Items that may be reclassified subsequently to profit or loss</b>                          |      |                      |              |
| Translation differences   |      | -                    | -            |
| Gains / (losses) on valuation differences from cash flow hedges                               |      | -                    | (29)         |
| Related deferred tax  |      | -                    | 6            |
| <b>Other comprehensive income, net of tax</b>   |      | <b>-</b>             | <b>(23)</b>  |
| <b>Total comprehensive income, net of tax</b>   |      | <b>1,186</b>         | <b>1,207</b> |
| Profit attributable to:   |      |                      |              |
| Equity holders of the Company   |      | 1,186                | 1,230        |
| Total comprehensive income attributable to:   |      |                      |              |
| Equity holders of the Company   |      | 1,186                | 1,207        |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| In CZK million                                     | Note | As at         |                  |
|--|------|---------------|------------------|
|  |      | 30 June 2022  | 31 December 2021 |
| <b>ASSETS</b>                                      |      |               |                  |
| Property, plant and equipment                      | 8    | 47,439        | 47,781           |
| Intangible assets                                  | 9    | 2,311         | 2,151            |
| Right of use assets                                | 10   | 4,813         | 4,926            |
| Other assets                                       | 13   | 485           | 469              |
| <b>Non-current assets</b>                          |      | <b>55,048</b> | <b>55,327</b>    |
| Inventories  | 11   | 107           | 96               |
| Trade and other receivables                        | 12   | 2,548         | 2,903            |
| Advance payments and other assets                  | 13   | 764           | 646              |
| Cash and cash equivalents                          | 14   | 593           | 740              |
| <b>Current assets</b>                              |      | <b>4,012</b>  | <b>4,385</b>     |
| <b>Non-current assets held for sale</b>            |      | <b>17</b>     | <b>5</b>         |
| <b>Total assets</b>                                |      | <b>59,077</b> | <b>59,717</b>    |
| <b>EQUITY AND LIABILITIES</b>                      |      |               |                  |
| Share capital                                      |      | 3,102         | 3,102            |
| Other funds  |      | 14,620        | 14,620           |
| Retained earnings                                  |      | 1,932         | 2,600            |
| <b>Total equity</b>                                |      | <b>19,654</b> | <b>20,322</b>    |
| Long-term financial debts                          | 16   | 20,318        | 20,389           |
| Deferred tax liability                             |      | 5,812         | 5,910            |
| Non-current provisions for liabilities and charges | 17   | 143           | 214              |
| Lease liability                                    | 19   | 4,112         | 4,247            |
| Non-current other liabilities                      | 15   | 1,454         | 1,459            |
| <b>Non-current liabilities</b>                     |      | <b>31,839</b> | <b>32,219</b>    |
| Short-term financial debts                         | 16   | 53            | 23               |
| Trade and other payables                           | 15   | 6,331         | 6,069            |
| Lease liability                                    | 19   | 828           | 844              |
| Income tax liability                               |      | 251           | 152              |
| Provisions for liabilities and charges             | 17   | 121           | 88               |
| <b>Current liabilities</b>                         |      | <b>7,584</b>  | <b>7,176</b>     |
| <b>Total liabilities</b>                           |      | <b>39,423</b> | <b>39,395</b>    |
| <b>Total equity and liabilities</b>                |      | <b>59,077</b> | <b>59,717</b>    |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2022

| In CZK million                    | Note | Share capital | Other capital funds | Retained earnings | Total         |
|-----------------------------------|------|---------------|---------------------|-------------------|---------------|
| <b>As of 1 January 2022</b>       |      | <b>3,102</b>  | <b>14,620</b>       | <b>2,600</b>      | <b>20,322</b> |
| Profit for the period             |      | -             | -                   | 1,186             | 1,186         |
| Other comprehensive income        |      | -             | -                   | -                 | -             |
| <b>Total comprehensive income</b> |      | <b>-</b>      | <b>-</b>            | <b>1,186</b>      | <b>1,186</b>  |
| Dividends declared                | 7    | -             | -                   | (887)             | (887)         |
| Dividends paid                    | 7    | -             | -                   | (963)             | (963)         |
| Other distribution and changes    | 7    | -             | -                   | (4)               | (4)           |
| <b>As of 30 June 2022</b>         |      | <b>3,102</b>  | <b>14,620</b>       | <b>1,932</b>      | <b>19,654</b> |

For the period ended 30 June 2021

| In CZK million                    | Note | Share capital | Foreign exchange translation reserve | Hedging reserve | Other capital funds | Retained earnings | Total         |
|-----------------------------------|------|---------------|--------------------------------------|-----------------|---------------------|-------------------|---------------|
| <b>As of 1 January 2021</b>       |      | <b>3,102</b>  | <b>(2)</b>                           | <b>90</b>       | <b>14,620</b>       | <b>2,567</b>      | <b>20,377</b> |
| Profit for the period             |      | -             | -                                    | -               | -                   | 1,230             | 1,230         |
| Other comprehensive income        |      | -             | -                                    | (23)            | -                   | -                 | (23)          |
| <b>Total comprehensive income</b> |      | <b>-</b>      | <b>-</b>                             | <b>67</b>       | <b>-</b>            | <b>1,230</b>      | <b>1,207</b>  |
| Dividends declared                | 7    | -             | -                                    | -               | -                   | (1,136)           | (1,136)       |
| Dividends paid                    | 7    | -             | -                                    | -               | -                   | (1,400)           | (1,400)       |
| Other distribution and changes    | 7    | -             | -                                    | -               | -                   | (4)               | (4)           |
| <b>As of 30 June 2021</b>         |      | <b>3,102</b>  | <b>(2)</b>                           | <b>67</b>       | <b>14,620</b>       | <b>1,257</b>      | <b>19,044</b> |

**CONSOLIDATED STATEMENT OF CASH FLOWS**

| In CZK million   | Note | For the period ended |                |
|--|------|----------------------|----------------|
|  |      | 30 June 2022         | 30 June 2021   |
| Profit for the year  |      | 1,186                | 1,230          |
| Non-cash adjustments for:  |      |                      |                |
| Depreciation and amortisation (incl. depreciation of right of use assets)  |      | 2,703                | 2,631          |
| Impairment loss  |      | 23                   | 30             |
| Profit on sale of property, plant and equipment                            |      | (20)                 | (6)            |
| Net finance revenues   |      | 305                  | 266            |
| Foreign exchange losses/gains (net)  |      | (82)                 | (89)           |
| Bad debts  |      | 6                    | 1              |
| Tax expense  |      | 315                  | 323            |
| <b>Operating cash flow before working capital changes</b>                  |      | <b>4,436</b>         | <b>4,386</b>   |
| <b>Working capital adjustments:</b>  |      |                      |                |
| Change in trade and other receivables                                      |      | 155                  | (49)           |
| Change in inventories  |      | (11)                 | (5)            |
| Change in trade and other payables   |      | (201)                | (264)          |
| Change in provisions   |      | 34                   | 45             |
| <b>Cash flows from operating activities</b>                                |      | <b>4,413</b>         | <b>4,113</b>   |
| Interest received  |      | 7                    | 1              |
| Income tax paid  |      | (314)                | (324)          |
| <b>Net cash flow from operating activities</b>                             |      | <b>4,106</b>         | <b>3,790</b>   |
| <b>Cash flows from investing activities</b>                                |      |                      |                |
| Purchase of property, plant and equipment and intangibles                  |      | (2,735)              | (1,966)        |
| Proceeds from sales of property, plant and equipment and intangible assets |      | 20                   | 12             |
| <b>Net cash used in investing activities</b>                               |      | <b>(2,715)</b>       | <b>(1,954)</b> |
| <b>Cash flows from financing activities</b>                                |      |                      |                |
| Interest paid  |      | (119)                | -              |
| Interest paid from lease liability   | 19   | (86)                 | (72)           |
| Other finance charges received/paid  |      | -                    | (27)           |
| Net proceeds from settlement of FX derivatives                             |      | (77)                 | -              |
| Cash collateral placed due to derivatives transactions                     | 12   | 88                   | (450)          |
| Dividends paid   | 7    | (963)                | (1,400)        |
| Lease payments   | 19   | (383)                | (392)          |
| <b>Net cash used in financing activities</b>                               |      | <b>(1,540)</b>       | <b>(2,341)</b> |
| <b>Net increase in cash and cash equivalents</b>                           | 14   | <b>(149)</b>         | <b>(505)</b>   |
| Cash and cash equivalents at beginning of year                             |      | 740                  | 1,411          |
| Effect of foreign exchange rate movements on cash and cash equivalents     |      | 2                    | (4)            |
| <b>Cash and cash equivalents at the period end</b>                         | 14   | <b>593</b>           | <b>902</b>     |

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## NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

CETIN a.s. Group (Group) consists of CETIN a.s. (Company) and its subsidiaries: CETIN Finance B.V. and CETIN služby s.r.o.

The Company has the form of a joint stock company and is incorporated and domiciled in the Czech Republic. The address of its registered office is Českomoravská 2510/19, Praha 9, 190 00, Czech Republic.

The sole shareholder of the Company as of 30 June 2022 is CETIN Group N.V. (part of the PPF Group).

The Company is the leading telecommunications provider in the Czech market providing fully integrated services. It is understood as the access, aggregation, and backbone infrastructure, mediating the access of customers of other operators to their fixed and mobile voice, data, and video services.

The interim consolidated financial statements are not audited.

## **2. BASIS OF PREPARATION**

These interim consolidated financial statements have been prepared in accordance with IAS 34.

Interim Financial Reporting do not include all the information required for a complete set of the annual IFRS financial statements and should be read in conjunction with the Group's last annual consolidated financial statements for the year ended 31 December 2021. They. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

The amounts shown in the consolidated financial statements are presented in millions Czech crowns (mill. CZK), if not stated otherwise.

### **Use of estimates, assumptions, and judgements**

The Group makes forward-looking estimates and assumptions. The resulting accounting estimates might be, by definition, different from the related actual results.

Significant estimates and judgements made by the Group in accordance with application of Group's accounting policies are consistent with estimates and assumptions used for the annual consolidated financial statements for the year ended 31 December 2021.

### **Seasonality**

There is no seasonality in telecommunication segment. The Group's telecommunication business is not considered seasonal.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of the interim consolidated financial statements are consistent with all principles used for the annual financial statements for the year ended 31 December 2021.

The adoption of new and revised standards effective for the accounting period from 1 January 2022 did not have a significant impact on these interim consolidated financial statements.

The accounting policy for reporting income tax during the accounting period is described in Note 6.

#### **New IFRS not effective as of 30 June 2022 (includes standards applicable to the Group)**

| <b>Standards and amendments</b> |  | <b>Effectiveness*</b>  |
|---------------------------------|--|------------------------|
| IFRS 10 and IAS 28 (amendment)  | Sales or contributions of assets between an investor and its associate/joint venture | postponed indefinitely |
|                                 | Classification of liabilities as short-term and long-term                            |                        |
| IAS 1 (amendment)               | Disclosure of accounting policies  | 1 January 2023         |
| IAS 8 (amendment)               | Definition of accounting estimates   | 1 January 2023         |
| IAS 12 (amendment)              | Deferred tax related to assets and liabilities arising from a single transaction     | 1 January 2023         |

\* effective for the period commencing from the stated date

The Group is currently assessing the impact of the application of these standards and amendments. Based on the analyses made to date, the Group estimates that adoption of these standards and amendments will not have a significant impact on the financial statements in the initial period of application.

#### 4. SEGMENT INFORMATION

The Group recognises two main operating segments:

- Domestic services – provision of wholesale telecommunication services (mobile, fixed and data services) to other Czech telco operators, utilising the Group’s network infrastructure in the Czech Republic; this is the core business of the Group.
- International transit – routing and termination of mainly international voice traffic to international operators, utilising the points of presence outside of the Czech Republic.

The International transit business of the Group is reported separately for these reasons:

- I. The nature of the international transit business is fundamentally different from the core business of the Group. In the case of the core business, the Group is selling services of its own network infrastructure in the Czech wholesale telecommunication market. In the case of the international transit business, the Group acts as a provider of interconnection between international operators, earning a small margin on the difference between the units of traffic purchased and sold.
- II. The financial risk exposure of the international transit business is significantly lower compared to the core business of the Group. The impact of the potential impairment of carrying value of assets related to the international transit business is marginal as the international transit business is capital light.
- III. Discrete financial information is available for the international transit business and the management assesses its performance and makes decisions about the resources to be allocated to this segment separately, with no impact on the core business of the Group.

The Group is capable of achieving substantial revenue from international transit services, while the EBITDA margins from the segment is on a completely different scale from the core business, due to the intermediary nature of transit services.

The operating results of all segments are regularly controlled and reviewed.

## Interim consolidated financial statements for the period ended 30 June 2022

| Period ended 30 June 2022   | Domestic services | International transit | Total reportable segments | Reconciling items | Group          |
|---|-------------------|-----------------------|---------------------------|-------------------|----------------|
| <b>In CZK million</b>   |                   |                       |                           |                   |                |
| Revenues  | 6,509             | 2,615                 | 9,124                     | -                 | 9,124          |
| Other income from non-telecommunication services  | -                 | -                     | -                         | 50                | 50             |
| Total costs   | <u>(2,194)</u>    | <u>(2,480)</u>        | <u>(4,674)</u>            | <u>(50)</u>       | <u>(4,724)</u> |
| <b>Earnings before impairment loss, interest, tax, depreciation and amortization (EBITDA)</b> | <b>4,315</b>      | <b>135</b>            | <b>4,450</b>              | <b>-</b>          | <b>4,450</b>   |
| Total depreciation and amortization (incl. depreciation of right of use assets)               | (2,694)           | (9)                   | (2,703)                   | -                 | (2,703)        |
| Impairment charge   | <u>(23)</u>       | <u>-</u>              | <u>(23)</u>               | <u>-</u>          | <u>(23)</u>    |
| <b>Operating income (EBIT)</b>  | <b>1,598</b>      | <b>126</b>            | <b>1,724</b>              | <b>-</b>          | <b>1,724</b>   |
| Net financial income  |                   |                       |                           |                   | <u>(223)</u>   |
| Profit before tax   |                   |                       |                           |                   | 1,501          |
| Corporate income tax  |                   |                       |                           |                   | <u>(315)</u>   |
| <b>Profit for the period</b>  |                   |                       |                           |                   | <b>1,186</b>   |
| <b>Capital expenditure (Fixed assets additions)</b>   |                   |                       |                           |                   |                |
| <b>As of 30 June 2022</b>   |                   |                       |                           |                   |                |
| <b>Total assets</b>   | <b>58,268</b>     | <b>809</b>            | <b>59,077</b>             | <b>-</b>          | <b>59,077</b>  |
| Trade and other payables  | 5,616             | 715                   | 6,331                     | -                 | 6,331          |
| Lease liability   | 4,940             | -                     | 4,940                     | -                 | 4,940          |
| Other liabilities   | <u>28,152</u>     | <u>-</u>              | <u>28,152</u>             | <u>-</u>          | <u>28,152</u>  |
| <b>Total liabilities</b>  | <b>38,708</b>     | <b>715</b>            | <b>39,423</b>             | <b>-</b>          | <b>39,423</b>  |

| Period ended 30 June 2021   | Domestic services | International transit | Total reportable segments | Reconciling items | Group         |
|---|-------------------|-----------------------|---------------------------|-------------------|---------------|
| <b>In CZK million</b>   |                   |                       |                           |                   |               |
| Revenues  | 6,026             | 2,843                 | 8,869                     | -                 | 8,869         |
| Other income from non-telecommunication services  | -                 | -                     | -                         | 99                | 99            |
| Total costs   | (1,772)           | (2,706)               | (4,478)                   | (99)              | (4,577)       |
| <b>Earnings before impairment loss, interest, tax, depreciation and amortization (EBITDA)</b> | <b>4,254</b>      | <b>137</b>            | <b>4,391</b>              | <b>-</b>          | <b>4,391</b>  |
| Total depreciation and amortization (incl. depreciation of right of use assets)               | (2,623)           | (8)                   | (2,631)                   | -                 | (2,631)       |
| Impairment charge   | (30)              | -                     | (30)                      | -                 | (30)          |
| <b>Operating income (EBIT)</b>  | <b>1,601</b>      | <b>129</b>            | <b>1,730</b>              | <b>-</b>          | <b>1,730</b>  |
| Net financial income  |                   |                       |                           |                   | (177)         |
| Profit before tax   |                   |                       |                           |                   | 1,553         |
| Corporate income tax  |                   |                       |                           |                   | (323)         |
| <b>Profit for the period</b>  |                   |                       |                           |                   | <b>1,230</b>  |
| <b>Capital expenditure (Fixed assets additions)</b>   | <b>1,723</b>      | <b>5</b>              | <b>1,728</b>              | <b>-</b>          | <b>1,728</b>  |
| <b>As of 30 June 2021</b>   |                   |                       |                           |                   |               |
| <b>Total assets</b>   | <b>59,107</b>     | <b>833</b>            | <b>59,940</b>             | <b>-</b>          | <b>59,940</b> |
| Trade and other payables  | 5,967             | 747                   | 6,714                     | -                 | 6,714         |
| Lease liability   | 4,978             | -                     | 4,978                     | -                 | 4,978         |
| Other liabilities   | 29,204            | -                     | 29,204                    | -                 | 29,204        |
| <b>Total liabilities</b>  | <b>40,149</b>     | <b>747</b>            | <b>40,896</b>             | <b>-</b>          | <b>40,896</b> |

The Group presents the segments in the category of operating revenues and expenses. Finance revenues and expenses and tax expenses are presented for the whole Group.

Revenues from one customer from segment Domestic services and International transit represent more than 10% of Group's revenues. During the period ended 30 June 2022 these revenues are CZK 4,996 million (during the period ended 30 June 2021: CZK 4,731 million).

The following table shows the split of revenues according to the country of origin of the entity where the revenues have originated:

| <b>Revenues</b>        | <b>Period ended</b> | <b>Period ended</b> |
|------------------------|---------------------|---------------------|
| <b>In CZK million</b>  | <b>30 June 2022</b> | <b>30 June 2021</b> |
| Czech Republic         | 6,503               | 6,060               |
| Germany                | 349                 | 304                 |
| Slovakia               | 203                 | 195                 |
| Other EU countries     | 1,304               | 1,237               |
| Switzerland            | 46                  | 51                  |
| Other Non-EU countries | 719                 | 1,022               |
| <b>Total revenues</b>  | <b>9,124</b>        | <b>8,869</b>        |

## 5. REVENUES

### Categorization of revenue from contracts with customers

The following table shows the classification of the revenues from contracts with customers according to the main operating segments and products provided. The degree of categorization of the revenues from contracts with customers reflects the specific sector of the Group as well as the method the Group uses for reporting and monitoring revenues for internal purposes. The table also shows the total lines allowing for reconciliation of revenue to the data reported in the segment analysis according to IFRS 8 (Note 4).

| <b>Revenues</b>                          | <b>Period ended</b> | <b>Period ended</b> |
|--|---------------------|---------------------|
| <b>In CZK million</b>                    | <b>30 June 2022</b> | <b>30 June 2021</b> |
| <i>Domestic service</i>                  |                     |                     |
| Revenues from mobile network services    | 2,901               | 2,610               |
| Revenues from fixed network mass service | 2,294               | 2,235               |
| Revenues from data services              | 686                 | 685                 |
| Other telecommunication revenues         | 628                 | 496                 |
|  | <b>6,509</b>        | <b>6,026</b>        |
| <i>International transit</i>             |                     |                     |
| Revenues from transit services           | 2,615               | 2,843               |
| <b>Total</b>                             | <b>9,124</b>        | <b>8,869</b>        |

Revenues from related parties are disclosed in Note 20.

The following table shows the classification of the revenues from contracts with customers according to the primary geographical market.

| <b>Revenues</b>                          | <b>Period ended</b>       |           |               |              |
|--|---------------------------|-----------|---------------|--------------|
| <b>In CZK million</b>                    | <b>30 June 2022</b>       |           |               |              |
|  | <b>Czech<br/>Republic</b> | <b>EU</b> | <b>Non EU</b> | <b>Total</b> |
| <i>Domestic service</i>                  |                           |           |               |              |
| Revenues from mobile network services    | 2,901                     | -         | -             | 2,901        |
| Revenues from fixed network mass service | 2,294                     | -         | -             | 2,294        |
| Revenues from data services              | 641                       | 43        | 2             | 686          |
| Other telecommunication revenues         | 577                       | 19        | 32            | 628          |
|  | <b>6,413</b>              | <b>62</b> | <b>34</b>     | <b>6,509</b> |

|                                | <b>Czech<br/>Republic</b> | <b>EU</b>    | <b>Non EU</b> | <b>Total</b> |
|--------------------------------|---------------------------|--------------|---------------|--------------|
| <i>International transit</i>   |                           |              |               |              |
| Revenues from transit services | 90                        | 1,794        | 731           | 2,615        |
| <b>Total</b>                   | <b>90</b>                 | <b>1,794</b> | <b>731</b>    | <b>2,615</b> |

| <b>Revenues</b>                          | <b>Period ended</b>       |           |               |              |
|--|---------------------------|-----------|---------------|--------------|
| <b>In CZK million</b>                    | <b>30 June 2021</b>       |           |               |              |
|  | <b>Czech<br/>Republic</b> | <b>EU</b> | <b>Non EU</b> | <b>Total</b> |
| <i>Domestic service</i>                  |                           |           |               |              |
| Revenues from mobile network services    | 2,610                     | -         | -             | 2,610        |
| Revenues from fixed network mass service | 2,235                     | -         | -             | 2,235        |
| Revenues from data services              | 642                       | 26        | 17            | 685          |
| Other telecommunication revenues         | 477                       | 13        | 6             | 496          |
|  | <b>5,964</b>              | <b>39</b> | <b>23</b>     | <b>6,026</b> |

|                                | <b>Czech<br/>Republic</b> | <b>EU</b>    | <b>Non EU</b> | <b>Total</b> |
|--------------------------------|---------------------------|--------------|---------------|--------------|
| <i>International transit</i>   |                           |              |               |              |
| Revenues from transit services | 96                        | 1,697        | 1,050         | 2,843        |
| <b>Total</b>                   | <b>6,060</b>              | <b>1,736</b> | <b>1,073</b>  | <b>8,869</b> |

The Company does not recognise revenues from services at a point in time, all revenues are recognised over time.

## 6. INCOME TAX

| <b>In CZK million</b>                   | <b>Period ended<br/>30 June 2022</b> | <b>Period ended<br/>30 June 2021</b> |
|---|--------------------------------------|--------------------------------------|
| Total income tax expense is made up of: |                                      |                                      |
| Current income tax charge               | 413                                  | 427                                  |
| Deferred income tax credit              | (98)                                 | (104)                                |
| <b>Income Tax</b>                       | <b>315</b>                           | <b>323</b>                           |

Deferred tax was calculated at a 19% tax rate (valid for the Czech Republic) as of 30 June 2022 and 30 June 2021.

## 7. DIVIDEND DISTRIBUTION

| <b>In CZK million</b>                          | <b>Period ended<br/>30 June 2022</b> | <b>Period ended<br/>30 June 2021</b> |
|--|--------------------------------------|--------------------------------------|
| Dividends from the profit (approved)           | 1,850                                | 2,536                                |
| Distribution of other capital funds (approved) | 3                                    | 3                                    |
| <b>Total</b>                                   | <b>1,853</b>                         | <b>2,539</b>                         |

The General Meeting, held on 3 March 2022, approved the statutory financial statements for the year ended 31 December 2021 and approved the distribution of dividends in the total amount of CZK 1,850 million. The first instalment in the amount of CZK 963 million was paid on 31 March 2022, the remaining part of the dividend in the amount of CZK 887 million will be paid in maximum of two instalments and no later than on 31 December 2022.

## 8. PROPERTY, PLANT AND EQUIPMENT

During the period ended 30 June 2022, the Group acquired Property, plant and equipment in the amount of CZK 1,763 million (during the period ended 30 June 2021: CZK 1,445 million) and disposed assets in residual value CZK 9 million (during the period ended 30 June 2021: CZK 5 million).

During the period ended 30 June 2022, the Group reported impairment of Property, plant and equipment in the amount of CZK 24 million (during the period ended 30 June 2021: CZK 30 million).

## 9. INTANGIBLE ASSETS

During the period ended 30 June 2022, the Group acquired Intangible assets in the amount of CZK 431 million (during the period ended 30 June 2021: CZK 279 million).

During the periods ended 30 June 2022 and 30 June 2021, the Group did not dispose any Intangible assets.

## 10. RIGHT OF USE ASSETS

During the period ended 30 June 2022, the additions of the Right of use assets amounted to CZK 66 million (during the period ended 30 June 2021: CZK 77 million).

During the period ended 30 June 2022, the Group recognized depreciation of the Right of use assets in the amount of CZK 365 million (during the period ended 30 June 2021: CZK 367 million).

The right of use assets arising from the leases with related parties are disclosed in Note 20.

## 11. INVENTORIES

As of 30 June 2022, the Group recognized inventories impairment provision in amount of CZK 8 million (as of 31 December 2021: CZK 7 million).

## 12. TRADE AND OTHER RECEIVABLES

| In CZK million   | 30 June 2022 | 31 December 2021 |
|--|--------------|------------------|
| Trade receivables from third parties (net)             | 1,445        | 1,830            |
| Receivables with related parties (Note 20)             | 1,077        | 979              |
| Derivative financial assets                            | -            | 1                |
| Cash collateral placed due to derivatives transactions | -            | 88               |
| Other debtors (net)                                    | 26           | 5                |
| <b>Total receivables and other assets</b>              | <b>2,548</b> | <b>2,903</b>     |

As of 30 June 2022, the cash collateral was released due settlement of all derivative transactions.

As of 30 June 2022 and 31 December 2021, all the receivables were short-term.

Receivables from related parties are disclosed in Note 20.

As of 30 June 2022, trade receivables and other debtors are stated net of bad debt provision of CZK 75 million (as of 31 December 2021: CZK 69 million).

| In CZK million                      | 30 June 2022 |                   |                 |                          |                    | Total        |
|-------------------------------------|--------------|-------------------|-----------------|--------------------------|--------------------|--------------|
|                                     | Due          | Less than 90 days | 91 and 180 days | Overdue 181 and 365 days | More than 365 days |              |
| Trade receivables and other debtors | 2,304        | 235               | 29              | 14                       | 41                 | <b>2,623</b> |
| Bad debt provision                  | -            | (16)              | (7)             | (13)                     | (39)               | <b>(75)</b>  |
| <b>Total</b>                        | <b>2,304</b> | <b>219</b>        | <b>22</b>       | <b>1</b>                 | <b>2</b>           | <b>2,548</b> |

| 31 December 2021                    |              | Overdue              |                    |                     |                       |              |
|-------------------------------------|--------------|----------------------|--------------------|---------------------|-----------------------|--------------|
| In CZK million                      | Due          | Less than<br>90 days | 91 and<br>180 days | 181 and<br>365 days | More than<br>365 days | Total        |
| Trade receivables and other debtors | 2,604        | 164                  | 27                 | 32                  | 56                    | <b>2,883</b> |
| Bad debt provision                  | (8)          | -                    | (2)                | (11)                | (48)                  | <b>(69)</b>  |
| <b>Total</b>                        | <b>2,596</b> | <b>164</b>           | <b>25</b>          | <b>21</b>           | <b>8</b>              | <b>2,814</b> |

### 13. ADVANCE PAYMENTS AND OTHER ASSETS

| In CZK million                           | 30 June 2022 |            |
|--|--------------|------------|
|  | Short term   | Long term  |
| Prepayments                              | 175          | 474        |
| Advance payments                         | 421          | 11         |
| Tax receivables for indirect taxes       | 168          | -          |
| <b>Advance payments and other assets</b> | <b>764</b>   | <b>485</b> |

| In CZK million                           | 31 December 2021 |            |
|--|------------------|------------|
|  | Short term       | Long term  |
| Prepayments                              | 138              | 458        |
| Advance payments                         | 310              | 11         |
| Tax receivables for indirect taxes       | 198              | -          |
| <b>Advance payments and other assets</b> | <b>646</b>       | <b>469</b> |

As of 30 June 2022, the item Prepayments comprises prepaid expenses related to purchases of capacity upgrade from T-Mobile for O2 under the network sharing project of CZK 525 million (as of 31 December 2021: CZK 502 million), and prepaid expenses from international transit of CZK 1 million (as of 31 December 2021: CZK 1 million).

Advance payments comprise primarily the advances paid for the electricity. The significant increase of the advance payments as of 30 June 2022, compared to 31 December 2021, is caused by the increase of energy prices.

### 14. CASH AND CASH EQUIVALENTS

| In CZK million   | 30 June 2022 | 31 December 2021 |
|--|--------------|------------------|
| Cash at bank accounts and other cash equivalents                 | 6            | 7                |
| Cash at bank accounts and other cash equivalents (inter-company) | 587          | 733              |
| <b>Total cash and cash equivalents</b>                           | <b>593</b>   | <b>740</b>       |

The item Cash at bank accounts and other cash equivalents includes as of 30 June 2022 the balance of bank accounts of the Special Partnership Accounts of CZK 4 million (as of 31 December 2021: CZK 4 million). These are partnerships with other business parties founded

for a specific purpose, where the Group is in a leading role. The usage of bank accounts of the Special Partnership Accounts is limited by the mutual agreement.

## 15. TRADE AND OTHER PAYABLES

| In CZK million                                 | 30 June 2022 |              |
|--|--------------|--------------|
|  | Short term   | Long term    |
| Trade creditors                                | 4,762        | -            |
| Dividend payables                              | 887          | -            |
| VAT, other taxes and social security liability | 112          | -            |
| Deferred revenues                              | 332          | 1,080        |
| Employee wages and benefits                    | 236          | -            |
| Other creditors                                | 2            | 374          |
| <b>Trade and other payables</b>                | <b>6,331</b> | <b>1,454</b> |

| In CZK million                                 | 31 December 2021 |              |
|--|------------------|--------------|
|  | Short term       | Long term    |
| Trade creditors                                | 5,285            | -            |
| VAT, other taxes and social security liability | 113              | -            |
| Deferred revenues                              | 351              | 1,112        |
| Employee wages and benefits                    | 244              | -            |
| Other creditors                                | 1                | 347          |
| Financial derivatives                          | 75               | -            |
| <b>Trade and other payables</b>                | <b>6,069</b>     | <b>1,459</b> |

Payables to related parties are disclosed in Note 20.

As of 30 June 2022 and 31 December 2021, deferred revenues were made up primarily of deferred revenues from installation fees related to the entitlement to use the spare capacity of the optical fiber.

## 16. FINANCIAL LIABILITIES

### Financial liabilities

| In CZK million                       | 30 June 2022  | 31 December 2021 |
|--------------------------------------|---------------|------------------|
| Bonds in local currency              | 4,855         | 4,851            |
| Intra-group loan in foreign currency | 15,463        | 15,538           |
| Accrued interest                     | 53            | 23               |
| <b>Total financial liabilities</b>   | <b>20,371</b> | <b>20,412</b>    |
| Repayable:                           |               |                  |
| Within one year                      | 53            | 23               |
| Between one and five years           | 20,318        | 20,389           |
| <b>Total financial liabilities</b>   | <b>20,371</b> | <b>20,412</b>    |

### Intra-group loan from the parent company

On 24 November 2021 the Company entered into an intra-group loan agreement with its parent company CETIN Group N.V. in an amount equal to EUR 625 million. The intra-group loan has a floating interest rate of EURIBOR plus 1.50% and is due on 24 August 2026. The intra-group loan was drawn on 3 December 2021. The main purpose of the intra-group loan was to refinance the issued EUR bonds due on 6 December 2021.

All conditions resulting from the intra-group loan agreements were met as of 30 June 2022.

### Issued Bonds

| In CZK million  |                 |              |               |          |               | 30 June 2022       |              |
|-----------------|-----------------|--------------|---------------|----------|---------------|--------------------|--------------|
| Date of issue   | Maturity        | ISIN         | Interest rate | Currency | Nominal value | Net carrying value |              |
| 6 December 2016 | 6 December 2023 | XS1529936335 | 1.250         | CZK      | 4,866         | 4,890              |              |
| <b>Total</b>    |                 |              |               |          |               | <b>4,866</b>       | <b>4,890</b> |

| In CZK million  |                 |              |               |          |               | 31 December 2021   |              |
|-----------------|-----------------|--------------|---------------|----------|---------------|--------------------|--------------|
| Date of issue   | Maturity        | ISIN         | Interest rate | Currency | Nominal value | Net carrying value |              |
| 6 December 2016 | 6 December 2023 | XS1529936335 | 1.250         | CZK      | 4,866         | 4,856              |              |
| <b>Total</b>    |                 |              |               |          |               | <b>4,866</b>       | <b>4,856</b> |

All conditions resulted from bonds emission were met as of 30 June 2022.

### Fair values of financial instruments

The following table shows estimated values and fair values of financial assets and financial liabilities which are not stated at fair value in the statements of financial position:

| In CZK million               | 30 June 2022     |         |         | Fair value | Carrying amount | Difference |
|------------------------------|------------------|---------|---------|------------|-----------------|------------|
|                              | Level 1          | Level 2 | Level 3 |            |                 |            |
| <b>Financial liabilities</b> |                  |         |         |            |                 |            |
| Bonds (incl. accruals)       | -                | 4,437   | -       | 4,437      | 4,890           | (453)      |
| In CZK million               | 31 December 2021 |         |         | Fair value | Carrying amount | Difference |
|                              | Level 1          | Level 2 | Level 3 |            |                 |            |
| <b>Financial liabilities</b> |                  |         |         |            |                 |            |
| Bonds (incl. accruals)       | -                | 4,598   | -       | 4,598      | 4,856           | (258)      |

The fair value of bonds as of 30 June 2022 and 31 December 2021 was determined by market price as bonds are traded on the public market.

As Level 3 the Group mainly classifies cash and cash equivalents, receivables and other assets, trade and other payables and intra-group loan, which are not listed in the table, as their fair value equals the carrying amount.

### Financial instruments in fair value

| In CZK million   | Fair value<br>As of 30 June 2022 |         |         | Fair value<br>As of 31 December 2021 |         |         |
|--|----------------------------------|---------|---------|--------------------------------------|---------|---------|
|  | Level 1                          | Level 2 | Level 3 | Level 1                              | Level 2 | Level 3 |
| Positive fair values of financial derivative instruments | -                                | -       | -       | -                                    | 1       | -       |
| Negative fair values of financial derivative instruments | -                                | -       | -       | -                                    | 75      | -       |

As of 30 June 2022, the Group did not hold any financial derivatives.

## 17. PROVISIONS

| In CZK million            | Asset<br>retirement<br>obligation | Other<br>provisions | Total |
|---------------------------|-----------------------------------|---------------------|-------|
| As of 1 January 2022      | 220                               | 82                  | 302   |
| Additions during the year | 6                                 | 53                  | 59    |
| Utilised during the year  | -                                 | (19)                | (19)  |
| Change of estimate        | (78)                              | -                   | (78)  |
| As of 30 June 2022        | 148                               | 116                 | 264   |

| In CZK million            | Asset<br>retirement<br>obligation | Other<br>provisions | Total |
|---------------------------|-----------------------------------|---------------------|-------|
| As of 1 January 2021      | 381                               | 111                 | 492   |
| Additions during the year | 4                                 | 62                  | 66    |
| Utilised during the year  | (3)                               | (14)                | (17)  |
| Release during the year   | (45)                              | -                   | (45)  |
| As of 30 June 2021        | 337                               | 159                 | 496   |

| In CZK million        | Asset<br>retirement<br>obligation | Other<br>provisions | Total |
|-----------------------|-----------------------------------|---------------------|-------|
| As of 30 June 2022    |                                   |                     |       |
| Short-term provisions | 5                                 | 116                 | 121   |
| Long-term provisions  | 143                               | -                   | 143   |
|                       | 148                               | 116                 | 264   |

| In CZK million                | Asset<br>retirement<br>obligation | Other<br>provisions | Total      |
|-------------------------------|-----------------------------------|---------------------|------------|
| <b>As of 31 December 2021</b> |                                   |                     |            |
| Short-term provisions         | 6                                 | 82                  | 88         |
| Long-term provisions          | 214                               | -                   | 214        |
|                               | <u>220</u>                        | <u>82</u>           | <u>302</u> |

The Group recognized a provision for estimated cost of dismantling and removing assets and restoring sites of CZK 148 million (31 December 2021: CZK 220 million). Scenarios of future costs based on management estimation, market prices, and historical costs were discounted to present value. Discount rates are paired to the expected dates of future decommissioning of assets.

Other provisions include a provision for redundancy costs of CZK 63 million (31 December 2021: CZK 71 million) and untaken holidays costs of CZK 53 million (31 December 2021: CZK 11 million). Other provisions for which the expected timing of payments is not certain are expected to be utilised within the next twelve months from the balance sheet date.

## 18. CONTINGENT LIABILITIES

In October 2016, the European Commission announced the commencement of the formal phase of an investigation in respect of cooperation between O2 Czech Republic, the Company and T-Mobile Czech Republic regarding the mobile network sharing.

The European Commission within the proceedings examines whether this cooperation restricts competition in the Czech Republic and harms the innovations in contrary to EU antitrust rules. The Company fully cooperates with EC during the investigation.

In August 2019, the European Commission sent to the companies involved so-called “statement of objections”, in which the European Commission expressed its preliminary and provisional conclusion that the network sharing restrict competition and therefore infringe the European competition rules. The statement of objections is a procedural step in the ongoing investigation, which does not predetermine the final conclusions and the decision of the European Commission on the matter. The Company is convinced that the concerns of the European Commission are unfounded and the preliminary conclusions inaccurate. The conduct of the Company and other investigated parties has been in accordance with applicable legal and regulatory rules.

Prior to the end of January 2020, the Company has submitted its respective response to the European Commission’s statement of objection, in which it has explained in detail the concerns raised by the European Commission.

The oral hearing was held in September 2020 in this case. In August 2021 the European Commission has issued so called “preliminary assessment” summing up preliminary competition objections and has allowed parties to offer so called “commitments”.

In September 2021, the Company has submitted written reaction to preliminary assessment and has offered the commitments.

The proposed commitments address the modernisation of mobile network, pricing of so called unilateral network deployments, and adjustments of agreements to limit information exchange to the absolutely necessary for the operation of the shared network. The monitoring the compliance with the commitments would be provided by independent entity, so called monitoring trustee.

The European Commission following the market test of proposed commitments is considering whether to accept the commitments and close the proceedings. The proceeding conducted by the European Commission had been as of 30 June 2022 hence still ongoing.

## 19. LEASE LIABILITY AND COMMITMENTS

### Lease liability

Lease liability under IFRS 16 is measured at the present value of the remaining discounted lease payments arising from leases previously classified as operating leases under IAS 17.

#### Amounts recognized in profit or loss:

| In CZK million  | Year ended<br>30 June 2022 | Year ended<br>30 June 2022 |
|---|----------------------------|----------------------------|
| Interest on lease liability   | 86                         | 72                         |
| Expenses relating to leases of low-value assets,<br>excluding short-term leases of low-value assets | 1                          | 1                          |

#### Amounts recognized in statement of cash flows:

| In CZK million                              | Year ended<br>30 June 2022 | Year ended<br>30 June 2022 |
|---|----------------------------|----------------------------|
| Total cash outflow for leases under IFRS 16 | (469)                      | (464)                      |

The lease liability arising from leases with related parties is disclosed in Note 20.

### Commitments

Capital expenditure contracted but not yet recognized in the financial statements as of 30 June 2022 amounted to CZK 760 million (as of 31 December 2021: CZK 721 million). The majority of contracted amounts relates to the telecommunication networks and service contracts.

## 20. RELATED PARTY TRANSACTIONS

The company CETIN Group N.V. is part of PPF Group. As of 18 May 2021, Mrs. Renáta Kellner has been appointed as administrator of estate of Mr. Petr Kellner, and Company registers her as ultimate beneficial owner under the respective legislation. In this respect, Mrs. Renáta Kellnerová is considered as controlling person of the Company.

PPF Group invests into multiple market segments such as banking and financial services, telecommunications, real estate, retail, insurance, metal mining, agriculture and biotechnology. PPF Group's reach spans from Europe to Russia, the USA and across Asia.

Sales and purchase transactions with related parties are based on contractual agreements negotiated on normal commercial terms and conditions and at market prices. Outstanding balances of assets and liabilities are unsecured, interest-free (excl. financial assets and liabilities used for financing) and the settlement occurs either in cash or by offsetting. The financial asset balances are tested for the impairment at the balance sheet date, and no allowance was recognized.

The following transactions were carried out with related parties:

### a) Transactions with related parties

| In CZK million                            | Assets/Liabilities as at |                  |
|---|--------------------------|------------------|
|   | 30 June 2022             | 31 December 2021 |
| <b>Receivables from provided services</b> |                          |                  |
| Other companies in PPF Group              | 1,077                    | 979              |
| of which: O2 Czech Republic a.s.          | 917                      | 855              |
| <b>Positive fair value of derivatives</b> |                          |                  |
| Companies in PPF Group (Note 16)          | -                        | 1                |
| <b>Payables from purchased services</b>   |                          |                  |
| Other companies in PPF Group              | (432)                    | (444)            |
| of which: O2 Czech Republic a.s.          | (158)                    | (202)            |
| <b>Negative fair value of derivatives</b> |                          |                  |
| Other companies in PPF Group (Note 16)    | -                        | (75)             |
| <b>Nominal value of derivatives</b>       |                          |                  |
| Other companies in PPF Group (Note 16)    | -                        | (2,924)          |

| In CZK million                                      | Assets/Liabilities as at      |                         |
|---|-------------------------------|-------------------------|
|   | 30 June 2022                  | 31 December 2021        |
| <b>Cash equivalents</b>                             |                               |                         |
| Other companies in PPF Group (Note 14)              | 587                           | 733                     |
| <b>Right of use assets</b>                          |                               |                         |
| Other companies in PPF Group                        | 32                            | 26                      |
| <b>Received loans</b>                               |                               |                         |
| Shareholders (Note 16)                              | (15,481)                      | (15,556)                |
| <b>Lease liability</b>                              |                               |                         |
| Other companies in PPF Group                        | (33)                          | (27)                    |
| <b>Dividend payable</b>                             |                               |                         |
| Shareholders  | (887)                         | -                       |
|   |                               |                         |
|   | Volume of mutual transactions |                         |
| In CZK million                                      | Year ended 30 June 2022       | Year ended 30 June 2021 |
| <b>Sale of services (revenues and other income)</b> |                               |                         |
| Other companies in PPF Group                        | 5,304                         | 5,029                   |
| of which: O2 Czech Republic a.s.                    | 4,996                         | 4,731                   |
| <b>Purchase of services</b>                         |                               |                         |
| Other companies in PPF Group                        | (299)                         | (309)                   |
| of which: O2 Czech Republic a.s.                    | (50)                          | (71)                    |
| <b>Interests from received loans</b>                |                               |                         |
| Shareholders  | (116)                         | -                       |
| <b>Depreciation of Right of use assets</b>          |                               |                         |
| Other companies in PPF Group                        | (2)                           | (2)                     |

Receivables and payables relating to the sale and purchase of goods and services are included in trade receivables and payables described in Note 12 and 15.

The Group has no long-term liabilities that are due in more than five years.

For the period ended 30 June 2022, capital expenditures from related parties amounted to CZK 17 million (30 June 2021: CZK 0 million).

**b) Remuneration and loans provided to member of board of directors, supervisory board and key management**

|                                    | <b>Period ended<br/>30 June 2022</b> | <b>Period ended<br/>30 June 2021</b> |
|------------------------------------|--------------------------------------|--------------------------------------|
| <b>Remuneration in CZK million</b> |                                      |                                      |
| Board of directors                 | 52                                   | 15                                   |
| Supervisory board                  | -                                    | -                                    |
| Key management                     | 24                                   | 19                                   |
| <b>Total</b>                       | <b>76</b>                            | <b>34</b>                            |
| <br>                               |                                      |                                      |
| <b>Number of members</b>           |                                      |                                      |
| Board of directors                 | 4                                    | 4                                    |
| Supervisory board                  | 3                                    | 3                                    |
| Key management                     | 12                                   | 10                                   |
| <b>Total</b>                       | <b>19</b>                            | <b>17</b>                            |

No loans were provided to members of the Board of Directors and Supervisory Board as of 30 June 2022 and 30 June 2021.

During the period ended 30 June 2022, the Board of Directors received an outstanding reward.

## 21. SUBSIDIARIES

As of 30 June 2022

| Subsidiaries           | Group's interest | Cost of investment in CZK million | Country of incorporation | Activity           | Method of consolidation |
|------------------------|------------------|-----------------------------------|--------------------------|--------------------|-------------------------|
| 1. CETIN Finance B.V.  | 100%             | 56                                | Netherlands              | Financial services | Full consolidation      |
| 2. CETIN služby s.r.o. | 100%             | *-                                | Czech Republic           | Other services     | Full consolidation      |
| Total                  |                  | 56                                |                          |                    |                         |

\*200 ths CZK

As of 31 December 2021

| Subsidiaries           | Group's interest | Cost of investment in CZK million | Country of incorporation | Activity           | Method of consolidation |
|------------------------|------------------|-----------------------------------|--------------------------|--------------------|-------------------------|
| 1. CETIN Finance B.V.  | 100%             | 56                                | Netherlands              | Financial services | Full consolidation      |
| 2. CETIN služby s.r.o. | 100%             | *-                                | Czech Republic           | Other services     | Full consolidation      |
| Total                  |                  | 56                                |                          |                    |                         |

\*200 ths CZK

## 22. MATERIAL SUBSEQUENT EVENTS

On 11 July 2022, i.e., following the balance sheet date, the European Commission has issued the decision closing the investigation of mobile network sharing AT.40305 without declaration of law infringement (i.e., neither pecuniary sanction nor remedy have been imposed towards the Company in relation with said investigation). European Commission by said decision has obliged the concerned companies to fulfil the commitments which had been proposed by them.

On 20 July 2022 the Company as a sole shareholder of the subsidiary CETIN Finance B.V. decided to own benefit to distribute the subsidiary's retain earnings reserve of CZK 20 million.

The interim consolidated financial statements were approved by the Board of Directors on 7 September 2022 and signed on behalf of the Company:

  
**Juraj Šedivý**  
Chairman of the Board of Directors

  
**Filip Cába**  
Vice-Chairman of the Board of Directors