

CETIN a.s.

Consolidated Half-Yearly Report 2020

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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**”

Business overview

Factors affecting business activities and results in the first half of 2020

Telecommunications market in the Czech Republic

In the first half of 2020, the Czech telecommunications market was affected by the declaration of the state of emergency in connection with the Covid-19 pandemic. There was a jump increase in network traffic, both fixed and mobile, which the networks handled without any significant disruption. The Czech Telecommunication Office (“CTO”) continued consultations on the draft text of the Invitation to Tender for Granting of the Rights to Use Radio Frequencies to Provide Electronic Communications Networks in the 700 MHz and 3400–3600 MHz Frequency Bands and the draft accompanying cost model. The CTO expects the auction to result in a more competitive mobile services market. CETIN continues increasing the speed of its fixed network connections, targeting the construction of a million FTTH connections in the coming years.

The development of regulation and associated legislation

The CTO continued with the analyses of relevant wholesale markets of termination in fixed and mobile networks by publishing draft decisions on remedies and prices (remain unchanged) for consultation. The Company remains designated as having significant market power and complies with regulatory obligations imposed on the Company as a result of these analyses and measures in the relevant markets for wholesale services with local access at a fixed location, market for services with central access at a fixed location for mass-market products and the market for wholesale high quality data services. This involves obligations to provide physical and broadband access to the infrastructure and leased lines under the terms and conditions set by the remedy decisions.

A consultation of a draft amendment to the Law 127/2005 Coll. on electronic communications was launched in the first half of 2020. The amendment transposes the Directive (EU) 2018/1972 of the European Parliament and of the Council of 11 December 2018 establishing the European Electronic Communications Code.

State policy and support of high-speed Internet access

In the first half of 2020, the Ministry of Industry and Trade published a fourth call for projects for deploying high-speed networks in white areas financed from the Operational Programme Enterprise and Innovations for Competitiveness. The call closes on 5 August 2020. Also, the Company was successful with several projects to increase the coverage by high speed networks in the designated intervention areas within the previous second call of the programme, totalling about 12 thousand new connections.

The Ministry of Industry and Trade has continued working on fulfilling the proposed measures contained in the Action plan of non-subsidy measures facilitating the planning and construction of electronic communications networks. At the same time, an update to the Action plan has been adopted.

Business activities of the Company

CETIN Group is formed by CETIN a.s. and its subsidiaries CZECH TELECOM Germany GmbH i.L., CETIN Finance B.V., CETIN služby s.r.o. and STEL-INVEST s.r.o. CETIN does not have any branch or other business part abroad. The major part of the Company’s services was provided in the first half of 2020 via communications networks and related assets in the territory of the Czech Republic. The business activity in Austria and Germany remain in the same scope based on a “permanent establishment”. The subsidiary CETIN Finance B.V., based in the Netherlands, was used to issue eurobonds and to provide funding to the Company. The subsidiary CETIN služby s.r.o. did not carry out

any business activity in 2020. STEL-INVEST s.r.o. specializes in the construction of energy networks and the maintenance of telecommunications and energy networks.

The Company only provides wholesale telecommunication infrastructure services to other telecommunication operators. The Company does not provide services of electronic communication 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. Considerable revenues with a very low margin that require minimum operating and capital costs are characteristic of this type of services.

The Company's revenues and profits in the first half of 2020 were mainly generated from 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 commitment of the Company to the agreed service levels and their improvement.

Continuously, the Company develops the business cooperation with T-Mobile Czech Republic a.s., Vodafone Czech Republic a.s. and Nordic Telecom s.r.o. The successful development of these business relationships, and thus provision of wholesale electronic communications services to all major retail telecommunications operators in the Czech Republic, confirms the fact that the Company is a successful independent wholesale operator.

Commented financial results

This section provides comments on the financial results of CETIN Group in the first half of 2020. For detailed information, see the Interim consolidated Financial Statements for the financial year ended on 30 June 2020 in the following sections of this Half-yearly Report.

Revenues, costs and profit

The total revenues of the CETIN Group amounted to CZK 9.7 billion in the first half of 2020. Total operating costs reported by CETIN Group were CZK 5.4 billion, with the major part represented by cost of sales in the international transit segment. CETIN Group reported a total of CZK 0.6 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 4.3 billion in the first half of 2020, 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 2020.

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 48.3 billion as of 30 June 2020.

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). The bonds are admitted to trading at Irish Stock Exchange. In case of CETIN Finance B.V. defaulting on the bond related liabilities, CETIN will be obliged to meet the liabilities as a guarantor. The foreign exchange risk of the bonds is hedged using derivatives.

For detailed information on bonds, see Note 15 of the Notes to the Financial Statements included herein.

Profit distribution and other payments to shareholders

The General Meeting held on 30 April 2020 decided on the distribution of the unconsolidated profit of the Company for 2019. The contribution to the social fund was CZK 3.4 million and the dividend was CZK 2.79 billion. The first instalment in the amount of CZK 2.0 billion was paid on 6 May 2020. The second instalment in the amount of CZK 794 million will be paid on 30 September 2020.

Capital expenditure

In the first half of 2020, CETIN Group acquired fixed assets in the amount of CZK 2.3 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 net cash flow from operating activities of CETIN Group amounted to CZK 4.1 billion in the first half of 2020. The cash flows used in investment activities amounted to CZK 2.3 billion, mainly comprising investments in network infrastructure development.

The cash flows used in financing activities consisted of the dividend payment of CZK 2.0 billion, income of CZK 0.2 billion related to hedging of Eurobonds foreign exchange risk and expenses related to interest and lease payments under IFRS 16 of CZK 0.5 billion.

In total, the net cash position of CETIN Group in the first half of 2020 has decreased by CZK 0.6 billion. The cash flows from CETIN Group's operating activities were thus used mainly for investment in the telecommunications infrastructure development and for dividend payment.

Information about own shares

The Company did not acquire its own shares in first half of 2020.

Outlook for the forthcoming period

The Company will continue focusing on further modernisation and development of the telecommunication infrastructure and on increasing the efficiency of its operations. In terms of commercial performance, the Company will continue to maintain and improve the level of satisfaction of its existing customers with the provided services, while actively endeavouring to attract new customers in both commercial segments. The Company expects to continue maintaining its position in the Czech telecommunications market through the best and most extensive networks, attractive products and services, and neutrality towards all operators in the market. In the international transit segment, the Company will be expanding its points of presence abroad, trying to attract new business partners from all over the world.

The Company expects that its main investments in the forthcoming period will continue to be channelled into the deployment of FTTH connection. Further will the Company be focused on modernising of existing fixed-line networks, mainly by increasing the connection speed by installing remote DSLAMs and reinforcing the backbone network in line with the expected increase of demand for transmission capacity of the network.

In terms of operations, the Company will continue to focus on increasing the efficiency of its operating model, improving flexibility in providing services to customers and increasing their level of satisfaction.

In terms of the financial results, the Company expects its performance to be in line with the trend of the first half of 2020. The continued decline of demand for fixed-line voice services in a part of the domestic market will be partly compensated by the growth in revenues from fixed broadband services and IP TV services and by growing revenue from data services and mobile network services. The continued competitive pressure on margins in the international voice transit market will be compensated in the medium term by entering markets in new regions and a new operating model of cooperation with international operators.

The growth of investment in the development and modernisation of critical telecommunication infrastructure that will continue going forward will not have, according to current assumptions, a significant impact on the Company's ability to generate steady free cash flows.

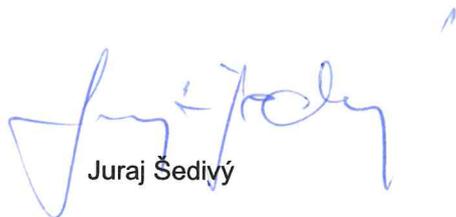
Statement by the persons responsible for the half-yearly report

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



Filip Cába

Vice-chairman of the Board

Appendix:

Interim consolidated financial statements

CETIN a.s.

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020**

**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 2020	30 June 2019
Revenues		9,631	8,869
Other income from non-telecommunication services		118	78
Expenses		<u>(5,440)</u>	<u>(4,728)</u>
Earnings before impairment loss, interest, tax, depreciation and amortization (EBITDA)		4,309	4,219
Depreciation and amortisation (incl. depreciation of right of use assets)		(2,337)	(2,285)
Impairment loss		<u>(49)</u>	<u>(11)</u>
Operating profit (EBIT)		1,923	1,923
Finance income		13	34
Finance costs		<u>(466)</u>	<u>(225)</u>
Profit before tax		1,470	1,732
Corporate income tax	6	<u>(297)</u>	<u>(332)</u>
Profit for the period		1,173	1,400
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Translation differences		-	-
Gains / (losses) on valuation differences from cash flow hedges	15	(525)	12
Related deferred tax		100	(2)
Other comprehensive income, net of tax		<u>(425)</u>	<u>10</u>
Total comprehensive income, net of tax		748	1,410
Profit attributable to:			
Equity holders of the Company		1,173	1,400
Total comprehensive income attributable to:			
Equity holders of the Company		748	1,410

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In CZK million	Note	As at	
		30 June 2020	31 December 2019
ASSETS			
Property, plant and equipment	8	48,272	48,629
Intangible assets	9	1,750	1,757
Goodwill		16	11
Right of use assets	10	4,956	5,120
Other assets	12	482	731
Non-current assets		55,476	56,248
Inventories	11	66	61
Receivables	12	3,780	4,011
Income tax receivable		1	1
Cash and cash equivalents	13	1,167	1,726
Current assets		5,014	5,799
Non-current assets held for sale		5	15
Total assets		60,495	62,062
EQUITY AND LIABILITIES			
Share capital		3,102	3,102
Reserves	15	80	505
Other funds		14,620	14,620
Retained earnings		1,195	2,816
Total equity		18,997	21,043
Long-term financial debts	15	21,535	20,694
Deferred tax liability		6,080	6,202
Non-current provisions for liabilities and charges	16	357	355
Lease liability	18	4,199	4,364
Non-current other liabilities, including derivative	14	1,603	1,923
Non-current liabilities		33,774	33,538
Short-term financial debts	15	171	23
Trade and other payables	14	6,472	6,537
Lease liability	18	833	834
Income tax liability		178	10
Provisions for liabilities and charges	16	70	77
Current liabilities		7,724	7,481
Total liabilities		41,498	41,019
Total equity and liabilities		60,495	62,062

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2020

In CZK million	Note	Share capital	Foreign exchange translation reserve	Hedging reserve	Other capital funds	Retained earnings	Total
As at 1 January 2020		3,102	(2)	507	14,620	2,816	21,043
Profit for the period		-	-	-	-	1,173	1,173
Other comprehensive income		-	-	(425)	-	-	(425)
Total comprehensive income		-	-	(425)	-	1,173	748
Dividends declared	7	-	-	-	-	(794)	(794)
Dividends paid	7	-	-	-	-	(2,000)	(2,000)
Other distribution and changes	7	-	-	-	-	-	-
As at 30 June 2020		3,102	(2)	82	14,620	1,195	18,997

For the period ended 30 June 2019

In CZK million	Note	Share capital	Foreign exchange translation reserve	Hedging reserve	Other capital funds	Retained earnings	Total
As at 1 January 2019		3,102	(3)	567	14,620	2,552	20,838
Profit for the period		-	-	-	-	1,400	1,400
Other comprehensive income		-	-	10	-	-	10
Total comprehensive income		-	-	10	-	1,400	1,410
Dividends declared	7	-	-	-	-	(642)	(642)
Dividends paid	7	-	-	-	-	(1,900)	(1,900)
Other distribution	7	-	-	-	-	(3)	(3)
As at 30 June 2019		3,102	(3)	577	14,620	1,407	19,703

CONSOLIDATED STATEMENT OF CASH FLOWS

In CZK million	Note	For the period ended	
		30 June 2020	30 June 2019
Profit for the year		1,173	1,400
Non-cash adjustments for:			
Depreciation and amortisation (incl. depreciation of right of use assets)		2,337	2,285
Impairment loss		49	11
Profit on sale of property, plant and equipment		(40)	(18)
Net finance revenues		223	218
Foreign exchange losses/gains (net)		230	(27)
Other non-cash adjustments		11	13
Tax expense		297	332
Operating cash flow before working capital changes		4,280	4,214
Working capital adjustments:			
Change in trade and other receivables		319	(119)
Change in inventories		(5)	(6)
Change in trade and other payables		(377)	(250)
Change in provisions		(25)	(39)
Cash flows from operating activities		4,192	3,800
Interest received		12	-
Income tax paid		(150)	(316)
Net cash flow from operating activities		4,054	3,484
Cash flows from investing activities			
Purchase of property, plant and equipment and intangibles		(2,326)	(1,777)
Proceeds from sales of property, plant and equipment and intangible assets		44	15
Investment/deinvestment in subsidiaries		(5)	(15)
Net cash used in investing activities		(2,287)	(1,777)
Cash flows from financing activities			
Interest paid		(2)	-
Interest paid from lease liability	18	(76)	(74)
Cash collateral placed due to derivatives transactions	12	167	(87)
Dividends paid	7	(2,000)	(1,900)
Lease payments	18	(424)	(362)
Net cash used in financing activities		(2,335)	(2,423)
Net increase in cash and cash equivalents	13	(568)	(716)
Cash and cash equivalents at beginning of year		1,726	1,650
Effect of foreign exchange rate movements on cash and cash equivalents		9	14
Cash and cash equivalents at the period end	13	1,167	948

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

CETIN a.s. Group (Group) consists of CETIN a.s. (Company) and its subsidiaries: CZECH TELECOM Germany GmbH i. L., CETIN Finance B.V., CETIN služby s.r.o. and STEL-INVEST s.r.o.

CETIN a.s. was incorporated by a spin-off (Separation) from the company O2 Czech Republic a.s. and registered on 1 June 2015 with decisive day of incorporation 1 January 2015.

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 majority shareholder of the Company as at 30 June 2020 is CETIN Group B.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 and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2019.

They do not include all the information required for a complete set of IFRS financial statements. 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 annual consolidated financial statements for the year ended 31 December 2019.

Seasonality

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

3. SIGNIFICANT ACCOUNTING POLICIES

The Group adopted new accounting standards IFRS 16 Leases which is valid from 1 January 2019. All other 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 2019.

EBITDA for the period ended 30 June 2020 adjusted for the IFRS 16 impact amounted to CZK 3,909 million.

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

New IFRS not effective as at 30 June 2020 (includes standards applicable to the Group)

Standards and amendments		Mandatory application: annual periods beginning on or after
IFRS 10 and IAS 28 (amendment)	Sales or contributions of assets between an investor and its associate/joint venture	Postponed indefinitely

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 Company 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 2020

Period ended 30 June 2020	Domestic services	International transit	Total reportable segments	Reconciling items	Group
In CZK million					
Revenues	5,971	3,660	9,631	-	9,631
Other income from non-telecommunication services	-	-	-	118	118
Total costs	<u>(1,768)</u>	<u>(3,554)</u>	<u>(5,322)</u>	<u>(118)</u>	<u>(5,440)</u>
Earnings before impairment loss, interest, tax, depreciation and amortization (EBITDA)	4,203	106	4,309	-	4,309
Total depreciation and amortization (incl. depreciation of right of use assets)	(2,331)	(6)	(2,337)	-	(2,337)
Impairment charge	<u>(49)</u>	<u>-</u>	<u>(49)</u>	<u>-</u>	<u>(49)</u>
Operating income (EBIT)	1,823	100	1,923	-	1,923
Net financial income					<u>(453)</u>
Profit before tax					1,470
Corporate income tax					<u>(297)</u>
Profit for the period					<u>1,173</u>
Capital expenditure (Fixed assets additions)	1,659	1	1,660	-	1,660
As at 30 June 2020					
Total assets	58,912	1,583	60,495	-	60,495
Trade and other payables	5,066	1,406	6,472	-	6,472
Other liabilities	<u>35,026</u>	<u>-</u>	<u>35,026</u>	<u>-</u>	<u>35,026</u>
Total liabilities	40,092	1,406	41,498	-	41,498

Interim consolidated financial statements for the period ended 30 June 2020

Period ended 30 June 2019	Domestic services	International transit	Total reportable segments	Reconciling items	Group
In CZK million					
Revenues	5,839	3,030	8,869	-	8,869
Other income from non-telecommunication services	-	-	-	78	78
Total costs	<u>(1,754)</u>	<u>(2,896)</u>	<u>(4,650)</u>	<u>(78)</u>	<u>(4,728)</u>
Earnings before impairment loss, interest, tax, depreciation and amortization (EBITDA)	4,085	134	4,219	-	4,219
Total depreciation and amortization (incl. depreciation of right of use assets)	(2,274)	(11)	(2,285)	-	(2,285)
Impairment charge	<u>(11)</u>	<u>-</u>	<u>(11)</u>	<u>-</u>	<u>(11)</u>
Operating income (EBIT)	1,800	123	1,923	-	1,923
Net financial income					<u>(191)</u>
Profit before tax					1,732
Corporate income tax					<u>(332)</u>
Profit for the period					<u>1,400</u>
Capital expenditure (Fixed assets additions)	1,439	-	1,439	-	1,439
As at 30 June 2019					
Total assets	58,289	1,172	59,461	-	59,461
Trade and other payables	4,842	1,019	5,861	-	5,861
Other liabilities	<u>33,897</u>	<u>-</u>	<u>33,897</u>	<u>-</u>	<u>33,897</u>
Total liabilities	<u>38,739</u>	<u>1,019</u>	<u>39,758</u>	<u>-</u>	<u>39,758</u>

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. For the period ended 30 June 2020 these revenues are CZK 4,868 million (30 June 2019: CZK 4,975 million).

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

Revenues	Period ended	Period ended
In CZK million	30 June 2020	30 June 2019
Czech Republic	6,071	6,153
Germany	370	261
Slovakia	291	185
Other EU countries	2,183	1,691
Switzerland	61	124
Other Non-EU countries	655	455
Total revenues	9,631	8,869

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).

Revenues	Period ended	Period ended
In CZK million	30 June 2020	30 June 2019
<i>Domestic service</i>		
Revenues from mobile network services	2,536	2,428
Revenues from fixed network mass service	2,217	2,223
Revenues from data services	692	688
Other telecommunication revenues	527	500
	5,972	5,839
<i>International transit</i>		
Revenues from transit services	3,659	3,030
Total	9,631	8,869

Revenues from related parties are disclosed in Note 19.

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

Revenues	Period ended			
In CZK million	30 June 2020			
	Czech Republic	EU	Non EU	Total
<i>Domestic service</i>				
Revenues from mobile network services	2,536	-	-	2,536
Revenues from fixed network mass service	2,217	-	-	2,217
Revenues from data services	650	41	1	692
Other telecommunication revenues	509	14	4	527
	5,912	55	5	5,972

	Czech Republic	EU	Non EU	Total
<i>International transit</i>				
Revenues from transit services	159	2,789	711	3,659
Total	6,071	2,844	716	9,631

Revenues	Period ended			
In CZK million	30 June 2019			
	Czech Republic	EU	Non EU	Total
<i>Domestic service</i>				
Revenues from mobile network services	2,428	-	-	2,428
Revenues from fixed network mass service	2,223	-	-	2,223
Revenues from data services	648	39	1	688
Other telecommunication revenues	492	8	-	500
	5,791	47	1	5,839

	Czech Republic	EU	Non EU	Total
<i>International transit</i>				
Revenues from transit services	362	2,090	578	3,030
Total	6,153	2,137	579	8,869

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

6. INCOME TAX

In CZK million	Period ended 30 June 2020	Period ended 30 June 2019
Total income tax expense is made up of:		
Current income tax charge	319	342
Deferred income tax credit	(22)	(10)
Income Tax	297	332

Deferred tax was calculated at a 19% tax rate (valid for Czech Republic) as at 30 June 2020 and 30 June 2019.

7. DIVIDEND DISTRIBUTION

In CZK million	The period ended 30 June 2020	The period ended 30 June 2019
Dividends from the profit (approved)	2,794	2,542
Distribution of other capital funds (approved)	3	3
Total	2,797	2,545

The General Meeting, held on 30 April 2020, approved the statutory financial statements for year ended 31 December 2019 and approved the distribution of dividends of CZK 2,794 million from profit for the year ended 31 December 2019. The first instalment in the amount of CZK 2,000 million was paid on 6 May 2020 and the second instalment in the amount of CZK 794 million will be paid on 30 September 2020.

8. PROPERTY, PLANT AND EQUIPMENT

During the period ended 30 June 2020 the Group acquired property, plant and equipment in the amount of CZK 1,433 million (for the period ended 30 June 2019: CZK 1,265 million) and disposed assets in residual value CZK 18 million (for the period ended 30 June 2019: CZK 4 million).

During the period ended 30 June 2020 the Group reported impairment of Property, plant and equipment in the amount of CZK 49 million (for the period ended 30 June 2019: CZK 11 million).

9. INTANGIBLE ASSETS

During the period ended 30 June 2020 the Group acquired intangible assets in the amount of CZK 227 million (for the period ended 30 June 2019: CZK 175 million) and disposed assets in residual value CZK 0 million (for the period ended 30 June 2019: CZK 0 million).

10. RIGHT OF USE ASSETS

In the period ended 30 June 2020, the Group recognized depreciation of the right of use assets in the amount of CZK 354 million (for the period ended 30 June 2019: CZK 333 million).

The right of use assets arising from leases between related parties are disclosed in Note 19.

11. INVENTORIES

As at 30 June 2020 the Group recognized inventories impairment provision in amount of CZK 6 million (as at 31 December 2019: CZK 6 million).

12. RECEIVABLES AND OTHER ASSETS

In CZK million	30 June 2020	31 December 2019
Trade receivables from third parties (net)	2,368	2,649
Receivables with related parties (Note 19)	1,055	1,165
Prepayments	456	372
Tax receivables for indirect taxes	163	154
Advance payments	95	82
Cash collateral placed due to derivatives transactions (Note 15)	146	313
Other debtors (net)	(21)	7
Total receivables and other assets	4,262	4,742

Trade receivables and other debtors are stated net of bad debt provision of CZK 138 million (31 December 2019: CZK 127 million).

Receivables from related parties are disclosed in Note 19.

Cash collateral placed represents the one – side collateral of derivative transactions of the Group, see Note 15. Cash collateral placed results from Group's obligation to place the cash collateral to the derivative transaction counterparty and for the period of the derivative transaction, where the amount of collateral is calculated from nominal and fair value of the financial derivative. Amount of collateral placed is regularly updated. As at 30 June 2020 the short-term part of the collateral placed represents CZK 0 million (31 December 2019: CZK 0 million) and long-term part CZK 146 million (31 December 2019: CZK 313 million).

13. CASH AND CASH EQUIVALENTS

In CZK million	30 June 2020	31 December 2019
Cash at bank accounts and other cash equivalents	30	56
Cash at bank accounts and other cash equivalents (inter-company)	1,137	1,670
Total cash and cash equivalents	1,167	1,726

The item Cash at bank accounts and other cash equivalents includes the balance of bank accounts of the Special Partnership Accounts of CZK 16 million (31 December 2019: CZK 39 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 mutual agreement.

14. TRADE AND OTHER PAYABLES

In CZK million	30 June 2020	31 December 2019
Trade creditors	5,679	5,765
VAT, other taxes and social security liability	110	109
Other deferred revenue	460	438
Employee wages and benefits	214	213
Other creditors	9	12
Trade and other payables - current	6,472	6,537
Other non-current liabilities (including financial derivatives described in Note 15)	1,603	1,923

Payables to related parties are disclosed in Note 19.

As at 30 June 2020 and 31 December 2019, other non-current liabilities were made up primarily of deferred revenues from installation fees related to the entitlement to use the spare capacity of the optical fibre.

15. FINANCIAL ASSETS AND LIABILITIES

Bonds Issued

In CZK million					30 June 2020	
Date of issue	Maturity	ISIN	Interest rate	Currency	Nominal value	Net carrying value
6 December 2016	6 December 2021	XS1529934801	1.423	EUR	16,713	16,829
6 December 2016	6 December 2023	XS1529936335	1.250	CZK	4,866	4,875
Total					21,579	21,704

In CZK million					31 December 2019	
Date of issue	Maturity	ISIN	Interest rate	Currency	Nominal value	Net carrying value
6 December 2016	6 December 2021	XS1529934801	1.423	EUR	15,881	15,872
6 December 2016	6 December 2023	XS1529936335	1.250	CZK	4,866	4,842
Total					20,747	20,714

Hedge accounting

The Group applies hedge accounting upon a cash flow hedges since December 2016.

Gains and Losses from revaluation arising from Cash Flow Hedges

In CZK million	2020
The fair value of the effective part of cash flow hedges at 1 January	626
Deferred tax asset/(liability) arising from revaluation gains and losses at 1 January	(119)
Total balance at 1 January 2020	507
Net profit/(loss) from the change in the fair value of a hedge instruments for the period	(525)
Cross currency swap	
Accumulated net profit/(loss) arising from cash flow hedges for the period recognised through profit or loss	-
Cross currency swap	
Tax effect of cash flow hedges for the period	100
The fair value of the effective part of cash flow hedges at 30 June	101
Deferred tax asset/(liability) arising from revaluation gains and losses at 30 June	(19)
Total balance at 30 June 2020	82

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 2020			Fair value	Carrying amount	Difference
	Level 1	Level 2	Level 3			
Financial assets						
Cash and cash equivalents	-	-	1,167	1,167	1,167	-
Receivables and other financial asset (excluding derivatives)	-	-	4,262	4,262	4,262	-
Financial liabilities						
Bonds (inc. accruals)	-	21,729	-	21,729	21,704	25
Overdraft facility	-	-	2	2	2	-
Trade and other payables	-	-	6,472	6,472	6,472	-
In CZK million						
	31 December 2019			Fair value	Carrying amount	Difference
	Level 1	Level 2	Level 3			
Financial assets						
Cash and cash equivalents	-	-	1,726	1,726	1,726	-
Receivables and other financial asset (excluding derivatives)	-	-	4,743	4,743	4,743	-
Financial liabilities						
Bonds (inc. accruals)	-	20,974	-	20,974	20,714	260
Overdraft facility	-	-	3	3	3	-
Trade and other payables	-	-	6,537	6,537	6,537	-

The fair value of bonds has been determined using market price as the bonds are publicly traded.

Financial instruments in fair value

In CZK million	Fair value			Fair value		
	As at 30 June 2020			As at 31 December 2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Negative fair values of financial derivative instruments	-	26	-	-	231	-

The fair value of financial derivative instruments has been calculated by discounting the expected future cash flows using common market interest rates as at 30 June 2020 and 31 December 2019.

16. PROVISIONS

In CZK million	Asset retirement obligation	Other provisions	Total
As at 1 January 2020	367	65	432
Additions during the year	19	55	74
Utilised during the year	(17)	(52)	(69)
Release during the year	-	(10)	(10)
As at 30 June 2020	369	58	427
As at 1 January 2019	360	101	461
Additions during the year	50	38	88
Utilised during the year	(9)	(37)	(46)
As at 30 June 2019	401	102	503
In CZK million	Asset retirement obligation	Other provisions	Total
As at 30 June 2020			
Short-term provisions	12	58	70
Long-term provisions	357	-	357
	369	58	427
As at 31 December 2019			
Short-term provisions	25	52	77
Long-term provisions	342	13	355
	367	65	432

The Group recognized a provision for estimated cost of dismantling and removing assets and restoring sites of CZK 369 million (31 December 2019: CZK 367 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.

The Group utilized provision for costs connected with removal of CZK 33 million (31 December 2019: CZK 43 million). This provision covered costs which occurred in connection with the sale of the seat of the Company. These costs were mainly removal costs and costs connected with the premature termination of some rental services. Outstanding balance of the provision of CZK 10 million was released.

Other provisions include a provision for redundancy cost of CZK 4 million (31 December 2019: CZK 17 million) and untaken holidays costs of CZK 54 million (31 December 2019: CZK 5 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.

17. 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 in contrary to EU antitrust rules restricts competition in the Czech Republic and harms the innovations. The Company fully cooperates with EC during the investigation.

In August 2019, 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 European Commission on the matter.

The Company is convinced that the concerns of 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. Hence, the Company is prepared to dispel the preliminary concerns of the European Commission.

The Company submitted its respective response to the European Commission’s statement of objection, explaining in more detail the concerns the European Commission raised, by end of January 2020. The investigation is still pending, and it is not certain whether or not the investigation will in the end determine that the network sharing arrangements are in breach of EU competition rules, nor whether or what sanctions or remedies will be imposed by the European Commission.

The oral hearing is scheduled on September 2020 in this case.

18. LEASE LIABILITY AND COMMITMENTS

Lease liability under IFRS 16 are 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	As at 30 June 2020
Interest on lease liability	76
Expenses related to short-term leases	-
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	1

In CZK million	As at 30 June 2019
Interest on lease liability	74
Expenses related to short-term leases	-
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	-

Amounts recognized in statement of cash flows:

In CZK million	As at 30 June 2020
Total cash outflow for leases under IFRS 16	(500)

In CZK million	As at 30 June 2019
Total cash outflow for leases under IFRS 16	(436)

The lease liability arising from leases under IFRS 16 between related parties is disclosed in Note 19.

Capital expenditure contracted but not yet recognized in the financial statements as at 30 June 2020 amounted to CZK 685 million (31 December 2019: CZK 546 million). The majority of contracted amounts relates to telecommunication networks and service contracts.

19. RELATED PARTY TRANSACTIONS

The Group is part of PPF Group.

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 2020	31 December 2019
Receivables from provided services		
Other companies in PPF Group	1,055	1,165
of which: O2 Czech Republic a.s.	955	1,076
Payables from purchased services		
Other companies in PPF Group	377	370
of which: O2 Czech Republic a.s.	272	284
Negative fair value of derivatives		
Other companies in PPF Group (Note 15)	26	231
Nominal value of derivatives		
Other companies in PPF Group (Note 15)	14,429	14,429
Cash equivalents		
Other companies in PPF Group (Note 13)	1,137	1,671
Dividend payable		
Shareholders	794	-

In CZK million	Assets/Liabilities as at	
	30 June 2020	31 December 2019
Right of use assets		
Other companies in PPF Group	31	32
Lease liability		
Other companies in PPF Group	31	32
	Volume of mutual transactions	
In CZK million	Year ended 30 June 2020	Year ended 30 June 2019
Sale of services (revenues and other income)		
Other companies in PPF Group	5,161	5,235
of which: O2 Czech Republic a.s.	4,868	4,975
Purchase of services		
Other companies in PPF Group	404	274
of which: O2 Czech Republic a.s.	79	113
Depreciation of Right of use assets		
Other companies in PPF Group	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 14.

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

For the period ended 30 June 2020, capital expenditures from related parties amounted to CZK 3 million (30 June 2019: CZK 8 million).

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

	Period ended 30 June 2020	Period ended 30 June 2019
Remuneration in CZK million		
Board of directors	9	8
Supervisory board	-	-
Key management	20	14
Number of members		
Board of directors	3	3
Supervisory board	3	3
Key management	10	9

No loans were provided to members of the Board of Directors and Supervisory Board as at 30 June 2020 and 30 June 2019.

20. SUBSIDIARIES

As at 30 June 2019

Subsidiaries	Group's interest	Cost of investment in CZK million	Country of incorporation	Activity	Method of consolidation
1. CZECH TELECOM Germany GmbH i. L.	100%	10	Germany	Data transmission services	Full consolidation
2. CETIN Finance B.V.	100%	56	Netherlands	Financial services	Full consolidation
3. CETIN služby s.r.o.	100%	*-	Czech Republic	Other services	Full consolidation
4. STEL-INVEST s.r.o.	100%	30	Czech Republic	Other services	Full consolidation

*200 ths CZK

As at 31 December 2019

Subsidiaries	Group's interest	Cost of investment in CZK million	Country of incorporation	Activity	Method of consolidation
1. CZECH TELECOM Germany GmbH i. L.	100%	10	Germany	Data transmission services	Full consolidation
2. CETIN Finance B.V.	100%	56	Netherlands	Financial services	Full consolidation
3. CETIN služby s.r.o.	100%	*-	Czech Republic	Other services	Full consolidation
4. STEL-INVEST s.r.o.	100%	15	Czech Republic	Other services	Full consolidation

*200 ths CZK

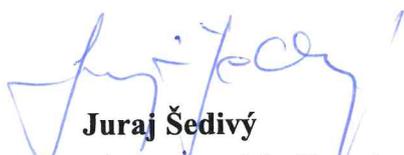
On 11 December 2018 the Board of Director's decided to liquidate the subsidiary CZECH TELECOM Germany GmbH by 31 December 2018. The process of liquidation has been still going on in accordance with the legal regulations of the related country.

21. MATERIAL SUBSEQUENT EVENTS

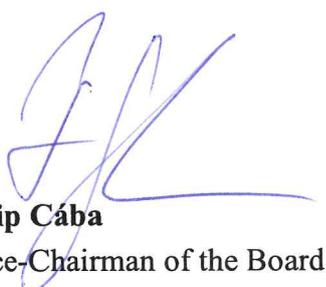
On 31 July 2020 the Company concluded with the bank syndicate the Term and revolving facilities of up to EUR 625 million, which shall serve as the liquidity back-up for 6 December 2021 bond refinancing. The facility terminates on 6 December 2023.

No other subsequent events have occurred after the balance sheet date with the material impact to the interim consolidated financial statements for the period ended 30 June 2020.

The interim consolidated financial statements were approved by the Board of Directors on 5 August 2020 and signed on behalf of the Company:



Juraj Šedivý
Chairman of the Board



Filip Čába
Vice-Chairman of the Board