CETIN Group N.V.

Condensed consolidated interim financial statements
for the six months ended 30 June 2022

Independent auditor’s review report

To: the Board of Directors of CETIN Group N.V.

Our conclusion

We have reviewed the accompanying condensed consolidated interim financial statements of CETIN Group N.V. (or hereafter: the “Company”) based in Amsterdam. Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements is not prepared, in all material respects, in accordance with IAS 34 ‘Interim Financial Reporting’ as adopted by the European Union.

The condensed consolidated interim financial statements comprise:

1 the condensed consolidated interim statement of financial position as at 30 June 2022;

2 the following statements for the six-month period ended 30 June 2022: the condensed consolidated interim statement of income and other comprehensive income, the condensed consolidated interim statement of changes in equity, the condensed consolidated interim statement of cash flows; and

3 the notes comprising of a summary of the accounting policies and other explanatory information.

Basis for our conclusion

We conducted our review in accordance with Dutch law, including the Dutch Standard 2410, 'Het beoordelen van tussentijdse financiële informatie door de accountant van de entiteit' (Review of interim financial information performed by the independent auditor of the entity). A review of interim financial information in accordance with the Dutch Standard 2410 is a limited assurance engagement. Our responsibilities under this standard are further described in the 'Our responsibilities for the review of the interim financial information' section of our report.

We are independent of CETIN Group N.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

Responsibilities of the Board of Directors for the condensed consolidated interim financial statements

The Board of Directors of the Company is responsible for the preparation and presentation of the condensed consolidated interim financial statements in accordance with IAS 34 ‘Interim Financial Reporting’ as adopted by the European Union. Furthermore, the Board of Directors is responsible for such internal control as it determines is necessary to enable the preparation of the condensed consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

KPMG

Our responsibilities for the review of the condensed consolidated interim financial statements

Our responsibility is to plan and perform the review in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusion.

The level of assurance obtained in a limited assurance engagement is substantially less than the level of assurance obtained in an audit conducted in accordance with the Dutch Standards on Auditing. Accordingly, we do not express an audit opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the review, in accordance with Dutch Standard 2410.

Our review included among others:

- Updating our understanding of the entity and its environment, including its internal control, and the applicable financial reporting framework, in order to identify areas in the condensed consolidated interim financial statements where material misstatements are likely to arise due to fraud or error, designing and performing procedures to address those areas, and obtaining assurance evidence that is sufficient and appropriate to provide a basis for our conclusion;
- Obtaining an understanding of internal control, as it relates to the preparation of the condensed consolidated interim financial statements;
- Making inquiries of management and others within the entity;
- Applying analytical procedures with respect to information included in the condensed consolidated interim financial statements;
- Obtaining assurance evidence that condensed consolidated interim financial statements agree with, or reconcile to the entity's underlying accounting records;
- Evaluating the assurance evidence obtained;
- Considering whether there have been any changes in accounting principles or in the methods of applying them and whether any new transactions have necessitated the application of a new accounting principle;
- Considering whether management has identified all events that may require adjustment to or disclosure in the condensed consolidated interim financial statements; and
- Considering whether the condensed consolidated interim financial statements have been prepared in accordance with the applicable financial reporting framework and represents the underlying transactions free from material misstatement.

Amstelveen, 7 September 2022

KPMG Accountants N.V.

R.P. Lindveld RA

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Glossary

AC	- amortised cost
CAPEX	- capital expenditures
CF	- cash-flow
CGU	- cash generating unit
EBITDA	- earnings before interest, tax, depreciation and amortisation
FVOCI	- fair value through other comprehensive income
FVTPL	- fair value through profit or loss
MOSA	- management and operational services agreement
MSA	- master service agreement
NCI	- non-controlling interests
OCI	- other comprehensive income
PPE	- property, plant and equipment
ROU	- right-of-use assets

Condensed consolidated interim statement of income and other comprehensive income

For the six months ended 30 June

In millions of EUR

	Notes	2022	2021
Domestic revenue	E1	431	393
International transit revenue	E1	107	111
Total revenue		**538**	**504**
Other income from non-telecommunication services		4	3
Personnel expenses	E2	(37)	(34)
Other operating expenses	E2	(197)	(177)
Operating profit excluding depreciation, amortisation and impairments		**308**	**296**
Depreciation of property, plant and equipment		(115)	(110)
Depreciation on lease-related right of use assets		(30)	(29)
Amortisation of intangible assets		(14)	(10)
Impairment loss on PPE and intangible assets		(3)	(1)
Operating profit		**146**	**146**
Interest income		1	1
Net foreign currency gains		4	3
Interest expense on lease liabilities		(6)	(6)
Other interest expense		(15)	(9)
Other finance cost	E3	(3)	-
PROFIT BEFORE TAX		**127**	**135**
Income tax expense	E4	(24)	(23)
NET PROFIT FOR THE PERIOD		**103**	**112**
Other comprehensive income*			
Currency translation differences		(23)	35
Cash flow hedge – effective portion of changes in fair value		-	(17)
Cash flow hedge - net change in fair value reclassified to profit or loss		-	16
Other comprehensive income, net of tax		**(23)**	**34**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**80**	**146**
Net profit attributable to:			
Owners of the Parent		97	100
Non-controlling interests		6	12
Net profit for the period		**103**	**112**
Total comprehensive income attributable to:			
Owners of the Parent		79	130
Non-controlling interests		1	16
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**80**	**146**

*Items that are or will be reclassified subsequently to profit or loss.

Condensed consolidated interim statement of financial position

In millions of EUR

	Note	30 June 2022	31 December 2021 (restated)**
ASSETS			
Property, plant and equipment	E5	2,266	2,250
Other intangible assets	E6.2	113	100
Goodwill	E6.1	577	589
Right-of-use assets		353	358
Other assets	E8	23	23
Deferred tax assets		1	2
Non-current assets		**3,333**	**3,322**
Trade and other receivables	E7.1	141	147
Inventories		4	4
Cash and cash equivalents		83	83
Current income tax receivables		1	-
Other assets	E.8	35	28
Other financial assets		-	4
Current assets		**264**	**266**
TOTAL ASSETS		**3,597**	**3,588**
LIABILITIES			
Due to banks	E9	947	1,146
Debt securities issued	E10	692	195
Lease liabilities		297	305
Trade and other payables	E11	61	61
Provisions	E12	43	44
Deferred tax liabilities		234	237
Non-current liabilities		**2,274**	**1,988**
Due to banks	E9	1	297
Debt securities issued	E10	4	-
Financial liabilities at FVTPL		-	3
Lease liabilities		55	60
Trade and other payables	E11	322	338
Provisions	E12	4	5
Current income tax liability		12	11
Current liabilities		**398**	**714**
TOTAL LIABILITIES		**2,672**	**2,702**
Issued capital*	E13	**-**	-
Share premium	E13	693	640
Other reserves	E14	84	162
Retained earnings		75	12
Total equity attributable to owners of the Parent		852	814
Non-controlling interests	E15	73	72
Total equity		**925**	**866**
TOTAL LIABILITIES AND EQUITY		**3,597**	**3,588**

*Issued capital is EUR 46 thousand.
**For more details on the restatement please refer to A.7.

Condensed consolidated interim statement of changes in equity

In millions of EUR, for the six months ended 30 June 2022

	Issued capital*	Share premium	Translation reserve	Hedging reserve	Other reserves	Retained earnings/ (Accumulated losses)	Attributable to owners of the Parent	Attributable to NCI	Total
Balance as at 1 January 2022	**-**	**640**	**48**	**-**	**114**	**12**	**814**	**72**	**886**
Effect of change in functional currency (refer to A.6)	-	53	(61)	-	1	7	-	-	-
Adjusted balance as at 1 January 2022	**-**	**693**	**(13)**	**-**	**115**	**19**	**814**	**72**	**886**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**97**	**97**	**6**	**103**
Currency translation differences	-	-	(18)	-	-	-	(18)	(5)	(23)
Other comprehensive income/(expense) for the period	-	-	**(18)**	**-**	-	-	**(18)**	**(5)**	**(23)**
Total comprehensive income	**-**	**-**	**(18)**	**-**	**-**	**97**	**79**	**1**	**80**
Dividends to shareholders	-	-	-	-	-	(45)	(45)	-	(45)
Other	-	-	-	-	-	4	4	-	4
Total transactions with owners of the Parent	**-**	**-**	**-**	**-**	**-**	**(41)**	**(41)**	**-**	**(41)**
Balance as at 30 June 2022	**-**	**693**	**(31)**	**-**	**115**	**75**	**852**	**73**	**925**

*Issued capital is EUR 46 thousand (until June 2021: EUR 1 thousand).

In millions of EUR, for the six months ended 30 June 2021

	Issued capital*	Share premium	Translation reserve	Hedging reserve	Other reserves	Retained earnings/ (Accumulated losses)	Attributable to owners of the Parent	Attributable to NCI	Total
Balance as at 1 January 2021	-	**1,456**	**20**	**4**	**71**	**(36)**	**1,515**	**148**	**1,663**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**100**	**100**	**12**	**112**
Currency translation differences	-	-	31	-	-	-	31	4	35
Effect of hedge accounting	-	-	-	(15)	-	-	(15)	(2)	(17)
Net change in fair value of CF hedges transferred to profit or loss	-	-	-	14	-	-	14	2	16
Other comprehensive income/(expense) for the period	-	-	**31**	**(1)**	-	-	**30**	**4**	**34**
Total comprehensive income	**-**	**-**	**31**	**(1)**	**-**	**100**	**130**	**16**	**146**
Dividends to shareholders	-	-	-	-	-	(132)	(132)	-	(132)
Dividends to NCI	-	-	-	-	-	-	-	(21)	(21)
Total transactions with owners of the Parent	**-**	**-**	**-**	**-**	**-**	**(132)**	**(132)**	**(21)**	**(153)**
Balance as at 30 June 2021	**-**	**1,456**	**51**	**3**	**71**	**(68)**	**1,513**	**143**	**1,656**

*Issued capital is EUR 1 thousand.

Condensed consolidated interim statement of cash flows

For the six months ended 30 June, prepared using the indirect method

In millions of EUR

	Notes	2022	2021
Cash flows from operating activities			
Profit before tax		127	135
Adjustments for:			
Depreciation and amortisation		159	149
Impairment losses on current and non-current assets		3	1
Loss on financial assets		2	-
Net interest expense		20	14
Net foreign exchange (gains)/losses		(4)	(3)
Net operating cash flow before changes in working capital		**307**	**296**
Change in trade and other receivables		2	5
Change in other assets		(11)	(11)
Change in trade and other payables		(2)	(14)
Change in provisions		(2)	-
Cash generated from operating activities		**294**	**276**
Income tax paid		(26)	(21)
Net cash from operating activities		**268**	**255**
Cash flows from investing activities			
Purchase of tangible and intangible assets		(184)	(106)
Proceeds from disposals of tangible and intangible assets		3	-
Net cash used in investing activities		**(181)**	**(106)**
Cash flows from financing activities			
Proceeds from loans due to banks and other financial institutions		15	-
Proceeds from the issue of debt securities		496	-
Repayment of loans due to banks and other financial institutions		(510)	-
Net payments on settlement of derivatives		(5)	-
Interest paid		(7)	(1)
Interest paid on lease liabilities		(6)	(6)
Cash payments for principal portion of lease liability		(28)	(28)
Change of cash collateral placed due to derivatives transactions		4	(18)
Dividends paid to shareholders		(45)	(127)
Dividends paid to NCI	E15	-	(16)
Net cash (used in)/from financing activities		**(86)**	**(196)**
Net increase/(decrease) in cash and cash equivalents		**1**	**(47)**
Cash and cash equivalents as at 1 January		**83**	**124**
Effect of exchange rate changes on cash and cash equivalents		(1)	2
Cash and cash equivalents as at 30 June		**83**	**79**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

A. General

A.1. Description of the Group

CETIN Group N.V. (hereinafter the "Parent Company", or the "Parent"), incorporated as a limited liability company, converted to a public limited liability company and renamed on 3 September 2021 from CETIN Group B.V. The Parent has been domiciled in the Netherlands since its incorporation of 23 January 2016. As at 30 June 2022, the Parent Company is a 70% owned subsidiary of PPF Telecom Group B.V. As of 30 June 2022, PPF Group N.V. was the ultimate parent of the Parent Company and the ultimate controlling party is Mrs Renata Kellnerová who was appointed, during 2021, as an administrator of the inheritance of the late Mr Kellner authorised to manage all the assets belonging to the inheritance in ordinary course of business.

The condensed consolidated interim financial statements of the Parent Company for the six months ended 30 June 2022 comprise the Parent Company and its subsidiaries (together the "Group"). Refer to Section B of these condensed consolidated interim financial statements for a list of significant Group entities and changes to the Group in 2022 and 2021.

The Group comprises telco infrastructure activities in the Czech Republic, Hungary, Bulgaria and Serbia.

The registered office address of the Parent Company is Strawinskylaan 933, 1077XX Amsterdam, the Netherlands.

A.2. Statement of compliance

The condensed consolidated interim financial statements were authorised for issue by the board of directors on 7 September 2022.

These condensed consolidated interim 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 2021 ("last annual financial statements"). Selected explanatory notes are included to explain events and transactions that are significant to understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements. These condensed consolidated interim financial statements do not include all the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards as endorsed by the European Union (IFRS-EU).

A.3. Basis of measurement

The condensed consolidated interim financial statements have been prepared on the basis of the going concern assumption, applying a historical cost basis, except for the following assets and liabilities stated at their fair value: derivative financial instruments, financial instruments designated upon initial recognition as financial instruments at FVTPL and financial instruments at FVOCI. Financial assets and liabilities as well as non-financial assets and liabilities measured at historical cost are stated at AC using the effective interest method or historical cost, as appropriate, net of any relevant impairment.

Non-current assets and disposal groups held for sale are stated at the lower of their carrying amount and fair value less costs to sell.

The Group accounts for business combinations using the acquisition method when control is transferred to the Group (refer to A.5). In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes at a minimum an input and substantive process and whether the acquired set has the ability to produce outputs. The Group has the option to apply a concentration test simplifying the assessment of whether an acquired set of activities and assets is indeed a business. The optional concentration test is met if substantially all fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested semi-annually for impairment. Any gain on bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay a contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, other contingent considerations are re-measured at fair value at each reporting date and subsequent changes in the fair value of the contingent considerations are recognised in profit or loss.

A.4. Use of judgements and estimates

In preparing these condensed consolidated interim financial statements, management has made judgements, estimates and assumptions that affect the application of the Group’s accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty fully correspond to those described in the most recent annual consolidated financial statements.

The following key judgements and estimates are based on the information available at the condensed consolidated interim financial statements date and specifically relate to the determination of:

- initial value of goodwill and its subsequent impairment testing (refer to E.6.1);
- useful life of tangible and intangible fixed assets;
- expected credit losses on trade receivables and other financial assets (refer to E.7.1);
- the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits;
- provisions recognised under liabilities (refer to E.12)
- revenue recognition timing in terms of the transfer of control over the goods and services to the customer – at a point in time or over time (E.1);
- assessment of the recognition principles for master service agreements between the guidance of IFRS 15 and IFRS 16 (E.1);
- lease-term for the lessee accounting if the Group is reasonably certain to exercise extension options.

A.5. Basis of consolidation

Subsidiaries are entities controlled by the Group. The Group controls an entity if it is exposed, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it has control if one or more of the elements of control changes. This includes circumstances in which protective rights held, either by the Group or by the non-controlling interests, (e.g., those resulting from a lending relationship) become substantive and lead to the Group, or the non-controlling interest, having power over an investee, or, if the substantive right on the contrary come to the benefit on the non-controlling interests, the Group might lose its power over an investee and cease controlling it. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of the subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Reorganisations and mergers involving companies under common control are accounted for using consolidated net book values (the “predecessor accounting method”). Consequently, no adjustment is made to carrying amounts in the consolidated accounts and no goodwill or gain on bargain purchase arises on such transactions.

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when the control is lost.

Intra-group balances, transactions, and any unrealised income and expenses, gains and losses arising from intra-group transaction, are eliminated. Unrealised losses are eliminated only to the extent that there is no evidence of impairment.

A.6. Presentation and functional currency

The consolidated financial statements are presented in euros (EUR), the Group’s reporting currency, rounded to the nearest million.

On 1 January 2022, the functional currency of the Parent was changed from CZK to EUR as a consequence of significant changes connected with newly raised external financing in 2021, and a sale of a non-controlling share in the Parent to an external investor at the beginning of 2022, with a consequent change to the earnings distribution currency. This change resulted in recalculation of share premium, retained earnings, and other and translation reserves with no impact on the total consolidated equity. The difference is caused by recalculation of share premium and retained earnings of the Parent using spot rate as at 1 January 2022 whereas previously the amounts were retranslated using historical FX rates.

Additionally, the functional currency of the operating infrastructure companies corresponds to the country of origin: CZK for the Czech Republic, HUF for Hungary, BGN for Bulgaria, and RSD for Serbia. TMT Hungary Infra, the holding company based in the Netherlands, has HUF as its functional currency.

A.7. Change in presentation of other reserves in the condensed consolidated interim statement of financial position

In 2022, the Group decided to enhance the presentation of components of equity in the condensed consolidated statement of financial position, and align it with the presentation in the condensed consolidated interim statement of changes in equity, by reclassifying other reserves from “retained earnings” to “other reserves”. Subsequently the comparative figures were reclassified to be comparable with the current period. The following table summarises the changes in the presentation of equity in the comparatives:

In millions of EUR, as at 31 December 2021

	Restated	Reported
Other reserves	162	48
Retained earnings	12	126

Except for the change in the presentation, there were no adjustments in the related balances.

A.8. COVID-19 and its impact on the Group’s financial statements

Telecommunications sector, including fixed and mobile retail services provision, keeps proving its resilient infrastructure nature, since it is clearly indispensable for the society similarly as utilities, healthcare and food supplies are. The demand for services provided by the Group remained stable, not affected by the pandemic. The Group has not experienced any material impact to its profitability and prospects in 2021 and 2022.

B. Consolidated group and main changes for the period

B.1. Group entities

The following list only shows the significant holding and operating entities that are subsidiaries of the Parent Company as of 30 June 2022 and 31 December 2021.

Company	Domicile	Effective proportion of ownership interest	
		30 June 2022	31 December 2021
CETIN Group N.V.	Netherlands	Parent Company	Parent Company
CETIN a.s.	Czech Republic	100.00%	100.00%
CETIN Finance B.V.	Netherlands	100.00%	100.00%
TMT Hungary Infra B.V.	Netherlands	75.00%	75.00%
CETIN Hungary Zrt.	Hungary	75.00%	75.00%
CETIN Bulgaria EAD	Bulgaria	100.00%	100.00%
CETIN d.o.o. Beograd-Novi Beograd	Serbia	100.00%	100.00%

B.2. Significant changes in the Group structure in 2022 and 2021

There were neither any acquisitions nor disposals in the six-month period ended 30 June 2022.

B.2.1. Increased shares in CETIN CZ by way of merger with PPF A3 B.V. (2021)

In July 2021, the Group initiated the internal restructuring of PPF Group with the aim to consolidate its 100% share in CETIN CZ under CETIN Group N.V. On 22 July 2021, PPF A3 B.V., a wholly owned subsidiary of PPF Group N.V. holding a 10.27% share in CETIN CZ, became a wholly owned subsidiary of PPF Telecom Group B.V. through series of in-kind contributions.

Subsequently, PPF A3 B.V. as the disappearing company, merged with the Parent Company. The merger became effective as of 1 September 2021 and the Group thus became the sole shareholder of CETIN CZ. PPF A3 B.V. only asset was the 10.27% share investment in CETIN CZ of EUR 43 million with no liabilities. PPF A3 B.V. net assets at acquisition by the Group thus totalled EUR 43 million, which was booked as an increase in the Group's other reserves.

The following table summarises the financial aspect of all transactions described above:

In millions of EUR, for the year ended 31 December 2021

PPF A3 B.V.'s net assets 100% share acquired under common control (other reserves)	43
Effective ownership in CETIN CZ acquired with the merger with PPF A3 B.V.	10.27%
Net asset value attributable to non-controlling interests in CETIN CZ acquired	(75)
Effect recorded in the Group's retained earnings (gain)	32

For this common control transaction, the Group applied the predecessor's book-value accounting also in relation to the measurement and derecognition of the NCI acquired.

C. Risk exposures, risk management objectives and procedures

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2021. The Group uses either derivative financial instruments or non-derivative instruments (such as cash instruments) to hedge certain exposures. The Group does not conduct any speculative trading activities.

During the interim period there were no significant changes in the nature or extent of risks arising from financial instruments. There were no significant transactions influencing liquidity position of the Group either.

C.1. Hedging

The Group generally keeps monitoring the market development to take an appropriate action when needed, i.e., to mitigate primarily interest risk and foreign currency by use of derivative contracts.

In 2020, CETIN CZ subgroup used cross currency swaps to hedge cash flows arising from debt securities denominated in EUR (annual interest payments and the repayment of the nominal value at the maturity of the debt security). The Group applied hedge accounting for these hedge instruments. As at 31 December 2021, all hedging relationships, inclusive the hedging derivative contracts and hedge accounting were terminated. Total accumulated cash-flow hedge loss from this discontinued hedging relationship of EUR 15 million was expensed in the consolidated statement of income as a net foreign currency loss.

In 2021, the cash flow hedges of CETIN CZ were effective, and no ineffectiveness was recognised in profit or loss.

The Group's objective is to maintain an appropriate mix of debt with fixed and floating interest rates in line with the risk management concept.

C.2. Fair value of financial assets and liabilities

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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

Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments measured using market prices quoted in active markets for similar instruments; prices quoted for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data;

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are measured based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include, where applicable, a comparison with similar instruments for which market observable prices exist, the net present value and discounted cash flow models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premiums used in estimating discount rates, bond prices, foreign currency exchange rates, expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

As at 31 December 2021, the Group presented cross-currency interest rate swap contracts as Level 2 financial instruments measured at fair value. The fair value of derivative financial instruments is calculated based on discounted cash flow models (using market rates). As at 30 June 2022, there were no fair-value balances from derivatives.

The carrying amount of financial assets and financial liabilities not measured at fair value is a reasonable approximation of its fair value, since financial assets and liabilities (except for those presented in the below table) comprise mainly current trade receivables and payables, cash and cash equivalents, and loans due to banks.

In millions of EUR

	30 June 2022 Carrying amount	30 June 2022 Fair value	31 December 2021 Carrying amount	31 December 2021 Fair value
Debt securities issued (Level 2)	696	642	195	185

C.3. Capital management

For the purpose of the Group's capital management, capital includes issued share capital, share premium and all other equity reserves attributable to the equity holders of the Parent. The primary objective of the Group's capital management is to maximise the shareholder value while maintaining investor, creditor and market confidence and being able to sustain the future development of the business.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group is not subject to any externally imposed regulatory capital requirements. No changes were made in the objectives, policies or processes for managing capital during the six months ended 30 June 2022 and the year ended 31 December 2021.

D. Segment reporting

The Group recognises reportable segments that are defined in geographical terms. The Group's board of directors and the shareholder (the chief operating decision maker) review the internal management reports of individual segments on a regular basis.

The following summary describes the operations and geographic focus of each reportable segment.

Reportable segment	Operations	Geographic focus
CETIN CZ	Wholesale telecommunication services (mobile, fixed and data services) to other telco operators and international transit	Czech Republic
CETIN Hungary	Telco infrastructure	Hungary
CETIN Bulgaria	Telco infrastructure	Bulgaria
CETIN Serbia	Telco infrastructure	Serbia

The unallocated segment represents the operations of holding entities not directly attributable to the core segments and comprising mainly funding related to business acquisitions.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Inter-segment pricing is determined on an arm's length basis. Segment assets and liabilities include all assets and liabilities attributable to segments. Eliminations represent intercompany balances among individual reporting segments.

The total segment revenue for the six months ended 30 June 2022 amounting to EUR 538 million (30 June 2021: EUR 504 million) represents revenues from external customers as presented in the condensed consolidated interim statement of income under revenue caption.

The Group is reliant on several major customers, that are fixed and mobile telecommunication operators owned by the PPF Telecom Group B.V., the direct parent of CETIN Group N.V. For the period ended 30 June 2022, revenues from these customers represent approximately 70% of revenues reported in total for all segments (30 June 2021: 70% of revenues reported in total for all segments).

In millions of EUR

30 June 2022	CETIN CZ	CETIN Hungary	CETIN Bulgaria	CETIN Serbia	Unallocated	Eliminations	**Consolidated**
Revenue from external customers	367	64	58	49	-	-	538
Inter-segment revenue	3	-	2	2	-	(7)	-
Total revenue	**370**	**64**	**60**	**51**	**-**	**(7)**	**538**
Major service/products lines:							
Mobile service revenues	126	64	55	48	-	(2)	291
Contracted MSA/MOSA fee from anchor tenants	116	63	54	46	-	(2)	277
Contracted revenue from third-party tenants	8	1	-	-	-	-	9
Other non-contracted mobile revenue	2	-	1	2	-	-	5
Fixed broadband service revenues	93	-	-	1	-	-	94
Other fixed and domestic service revenues	45	-	-	2	-	(1)	46
Domestic revenue	264	64	55	51	-	(3)	431
International transit revenue	106	-	5	-	-	(4)	107
Total revenue	**370**	**64**	**60**	**51**	**-**	**(7)**	**538**
Other income from non-telecommunication services	2	-	3	-	-	(1)	4
Operating expenses	(191)	(16)	(22)	(13)	-	8	(234)
Operating profit excluding depreciation, amortisation and impairments	**181**	**48**	**41**	**38**	**-**	**-**	**308**
Depreciation of PPE	(83)	(10)	(13)	(9)	-	-	(115)
Depreciation on lease-related ROU	(15)	(6)	(4)	(5)	-	-	(30)
Amortisation of intangible assets	(11)	(1)	(1)	(1)	-	-	(14)
Impairment loss	(1)	(2)	-	-	-	-	(3)
Operating profit	**71**	**29**	**23**	**23**	**-**	**-**	**146**
Interest income	-	-	-	-	6	(5)	1
Net foreign currency gains	3	-	-	-	1	-	4
Interest expense on lease liability	(3)	(1)	(1)	(1)	-	-	(6)
Other interest expense	(7)	-	-	-	(13)	5	(15)
Other finance cost	(2)	-	1	(1)	(1)	-	(3)
Profit for the period before tax	**62**	**28**	**23**	**21**	**(7)**	**-**	**127**
Income tax expense	(13)	(4)	(2)	(3)	(2)	-	(24)
Profit for the period	**49**	**24**	**21**	**18**	**(9)**	**-**	**103**
Capital expenditure	89	39	25	13	-	-	166
30 June 2022							
Segment assets	2,470	424	340	359	725	(721)	3,597
Segment liabilities	1,587	168	108	84	1,446	(721)	2,672
Segment equity	**883**	**256**	**232**	**275**	**(721)**	**-**	**925**

In millions of EUR

30 June 2021	CETIN CZ	CETIN Hungary	CETIN Bulgaria	CETIN Serbia	Unallocated	Eliminations	**Consolidated**
Revenue from external customers	340	63	53	48	-	-	504
Inter-segment revenue	3	-	1	1	-	(5)	-
Total revenue	**343**	**63**	**54**	**49**	**-**	**(5)**	**504**
Major service/products lines:							
Mobile service revenues	101	63	49	46	-	(1)	258
Contracted MSA/MOSA fee from anchor tenants	91	61	48	45	-	(1)	244
Contracted revenue from third-party tenants	8	-	-	-	-	-	8
Other non-contracted mobile revenue	2	2	1	1	-	-	6
Fixed broadband service revenues	87	-	-	-	-	-	87
Other fixed and domestic service revenues	45	-	-	3	-	-	48
Domestic revenue	233	63	49	49	-	(1)	393
International transit revenue	110	-	5	-	-	(4)	111
Total revenue	**343**	**63**	**54**	**49**	**-**	**(5)**	**504**
Other income from non-telecommunication services	4	-	-	-	-	(1)	3
Operating expenses	(177)	(14)	(15)	(10)	(1)	6	(211)
Operating profit excluding depreciation, amortisation and impairments	**170**	**49**	**39**	**39**	**(1)**	**-**	**296**
Depreciation of PPE	(79)	(8)	(13)	(10)	-	-	(110)
Depreciation on lease-related ROU	(14)	(6)	(4)	(5)	-	-	(29)
Amortisation of intangible assets	(8)	(1)	-	(1)	-	-	(10)
Impairment loss	(1)	-	-	-	-	-	(1)
Operating profit	**68**	**34**	**22**	**23**	**(1)**	**-**	**146**
Interest income	1	-	-	-	-	-	1
Net foreign currency gains	3	-	-	-	-	-	3
Interest expense on lease liability	(3)	(2)	-	(1)	-	-	(6)
Other interest expense	(8)	-	-	-	(1)	-	(9)
Profit for the period before tax	**61**	**32**	**22**	**22**	**(2)**	**-**	**135**
Income tax expense	(13)	(5)	(3)	(3)	1	-	(23)
Profit for the period	**48**	**27**	**19**	**19**	**(1)**	**-**	**112**
Capital expenditure	67	14	14	7	-	-	102
31 December 2021							
Segment assets	2,483	424	324	357	628	(628)	3,588
Segment liabilities	1,578	135	96	78	1,443	(628)	2,702
Segment equity	**905**	**289**	**228**	**279**	**(815)**	**-**	**886**

E. Notes to the condensed consolidated financial statements

E.1. Revenue

E.1.1. Revenue from telco business – major lines of business

Revenue from the telecommunication business comprises the following (corresponds to presentation in D section):

In millions of EUR, for the six months ended 30 June

	2022	2021
Domestic revenue	431	393
International transit revenue	107	111
Total	**538**	**504**

Detail split of domestic revenue:

In millions of EUR, for the six months ended 30 June

	2022	2021
Mobile service revenues	291	258
Committed MSA/MOSA revenues from anchor tenants	277	244
Committed from third-party tenants	9	8
Other non-contracted mobile revenue	5	6
Fixed broadband service revenues	94	87
Other fixed and domestic service revenues	46	48
Total domestic revenue	**431**	**393**

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

A significant part of the Group's revenues is generated from the standard operations with the Group's related parties (refer to E.17.1).

E.1.2. Revenue from telco business – geographical markets

The revenue from the telco business is geographically disaggregated per customer sites, as follows:

In millions of EUR, for the six months ended 30 June

	2022	2021
Services/products transferred over time	538	504
Czech Republic	264	234
Hungary	66	65
Bulgaria	58	53
Serbia	53	46
Germany	14	12
Slovakia	8	8
Switzerland	2	2
Other EU countries	49	43
Other Non-EU countries	24	41

E.2. Personnel expenses and other operating expenses

Operating expenses comprise the following:

In millions of EUR, for the six months ended 30 June

	2022	2021
Employee compensation	24	22
Payroll related taxes	13	12
Total personnel expenses	**37**	**34**
Transit cost of sales	100	104
Other cost of sales	9	7
Utilities	43	25
Network&IT maintenance	19	17
Rentals, buildings and vehicles	9	13
Professional services	4	3
Advertising and marketing	1	1
Taxes other than income tax	1	1
Other	11	6
Total other operating expenses	**197**	**177**

E.3. Other finance costs

For the six-month period ended 30 June 2022, other finance cost represents net loss on financial assets amounting EUR 2 million (30 June 2021: net gain on financial assets EUR 1 million) and fee and commission expense amounting to EUR 1 million (30 June 2021: nil).

E.4. Income taxes

Income tax expense comprises the following:

In millions of EUR, for the six months ended 30 June

	2022	2021
Current tax expense	(28)	(27)
Deferred tax benefit	4	4
Total income tax expense	**(24)**	**(23)**

Income tax is computed and recognised by entities generating substantial accounting profit for the interim period, either via application of statutory income tax rate on pre-tax income adjusted by, if significant, excluded disregarded revenues and costs. The Group’s consolidated effective tax rate for the six months ended 30 June 2022 was 19% (30 June 2021: 17%).

E.5. Property, plant and equipment

Property, plant and equipment comprise the following:

In millions of EUR

30 June 2022	Land and buildings	Ducts, cables and related plant	Telecom technology and related equipment	Other tangible assets and equipment	Construction in progress	**Total**
Cost	293	1,924	1,189	114	174	3,694
Accumulated depreciation and impairment	(106)	(650)	(627)	(37)	(8)	(1,428)
Carrying amount as at 30 June 2022	**187**	**1,274**	**562**	**77**	**166**	**2,266**

In millions of EUR

31 December 2021	Land and buildings	Ducts, cables and related plant	Telecom technology and related equipment	Other tangible assets and equipment	Construction in progress	**Total**
Cost	292	1,891	1,138	110	158	3,589
Accumulated depreciation and impairment	(102)	(609)	(586)	(34)	(8)	(1,339)
Carrying amount as at 31 December 2021	**190**	**1,282**	**552**	**76**	**150**	**2,250**

E.6. Goodwill and other intangible assets

E.6.1. Goodwill

Goodwill is allocated to individual CGUs as follows:

In millions of EUR

	30 June 2022	31 December 2021
CETIN CZ	114	114
CETIN Hungary	171	183
CETIN Bulgaria	104	104
CETIN Serbia	188	188
Total goodwill	**577**	**589**

Change in value of goodwill is affected by a change in FX rates.

E.6.2. Other intangible assets

Other intangible assets comprise the following:

In millions of EUR

30 June 2022	Software	Other intangible assets	Work in progress	**Total**
Cost	196	29	10	235
Accumulated amortisation and impairment	(117)	(5)	-	(122)
Carrying amount as at 30 June 2022	**79**	**24**	**10**	**113**

In millions of EUR

31 December 2021	Software	Other intangible assets	Work in progress	**Total**
Cost	178	27	5	210
Accumulated amortisation and impairment	(105)	(5)	-	(110)
Carrying amount as at 31 December 2021	**73**	**22**	**5**	**100**

E.7. Financial assets (excluding cash and cash equivalents)

Financial assets comprise the following:

In millions of EUR

	30 June 2022	31 December 2021
Receivables due from banks*	-	4
Trade and other receivables	141	147
Current	**141**	**151**
Total financial assets	**141**	**151**

*presented as other financial assets in the consolidated statement of financial position

E.7.1. Trade and other receivables

Trade and other receivables comprise the following:

In millions of EUR

	30 June 2022	31 December 2021
Trade receivables	117	128
Accrued income	27	22
Subtotal (gross) - current	**144**	**150**
Individual allowances for impairment on trade and other receivables	(3)	(3)
Subtotal (net) - current	**141**	**147**
Total trade and other receivables (carrying amount)	**141**	**147**

E.8. Other assets

Other assets comprise the following:

In millions of EUR

	30 June 2022	31 December 2021
Deferred expenses and advances	19	19
Specific deposits and other specific receivables	2	2
Other assets	2	2
Non-current	**23**	**23**
Deferred expenses and advances	27	20
Other tax receivables	7	8
Other	1	-
Current	**35**	**28**
Total other assets	**58**	**51**

E.9. Due to banks

Liabilities due to banks comprise the following:

In millions of EUR

	30 June 2022	31 December 2021
Non-current	947	1,146
Current	1	297
Total loans due to banks	**948**	**1,443**

In August 2021, the Parent Company became a party to a term and revolving facilities agreement with a syndicate of banks. The Parent Company then utilised bridge, term, and incremental term loan facilities amounting to EUR 1,450 million in aggregate. In April 2022, CETIN Group N.V. issued senior notes with the total nominal amount of EUR 500 million (refer to E.10) and used the proceeds to prepay the bridge (in full) and term loans. Consequently, the outstanding principal amounts of the loans as at 30 June 2022 were EUR 511 million for the term loan and EUR 444 million for the incremental term loan. The actual amount of outstanding loan liabilities stated in the table above is lower by unamortised fees and other transaction costs directly attributable to the origination of the loan facilities. These fees were capitalised and are amortised to finance costs using the effective interest rate method. These loan facilities are unsecured.

As at 30 June 2022 and 31 December 2021, a committed revolving facility of EUR 200 million was undrawn.

As at 30 June 2022 and 31 December 2021, the Group complied with the financial covenants imposed by its loan facilities.

Parameters of EUR-denominated loan facilities borrowed by CETIN Group N.V. and outstanding as at 30 June 2022:

	Term loan facility	Incremental term loan facility
Repayable by	2026	2026
Margin rate over 3M EURIBOR	1.25%	1.00%
Actual respective margin levels applicable	1.25%	1.00%

E.10. Debt securities issued

Debt securities (all unsecured) issued comprise the following:

In millions of EUR

	Date of issue	Maturity	Fixed rate	30 June 2022	31 December 2021
Bond (CZK 4,866 million)*	2016	2023	1.25%	198	195
Bond (EUR 500 million)	2022	2027	3.13%	498	-
Total debt securities issued*				**696**	**195**

*The changes in the balances result from exchange rate changes and accruing and payments of the accrued interest.

In April 2022, the Parent Company established EUR 2,000 million Euro medium term note programme under which it issued senior notes with the total nominal amount of EUR 500 million. CETIN Group N.V. used the bond proceeds to repay its outstanding bank loans (refer to E.9).

E.11. Trade and other payables

Trade and other payables comprise the following:

In millions of EUR

	30 June 2022	31 December 2021
Settlements with suppliers	2	2
Advances received	1	1
Defined benefit obligation	1	1
Contract liabilities	57	57
Non-current	**61**	**61**
Settlements with suppliers	251	268
Wages and salaries	14	13
Social security and health insurance	5	4
Other tax payables	3	1
Accrued expense	31	34
Deferred income and prepayments	2	1
Contract liabilities	13	14
Other liabilities	3	3
Current	**322**	**338**
Total trade and other payables	**383**	**399**

E.12. Provisions

Provisions comprises the following:

In millions of EUR

	30 June 2022	31 December 2021
Fixed asset retirement obligation	42	43
Other provisions	1	1
Non-current	**43**	**44**
Provision for restructuring	2	3
Other provisions	2	2
Current	**4**	**5**
Total provisions	**47**	**49**

E.13. Issued capital, share premium, dividends and earnings per share

Issued capital is capital in respect of which the shareholders' liability for an entity's obligation towards its creditors is limited. The amount is limited to the current nominal capital approved by a shareholders' resolution.

The following table provides details of authorised and issued shares:

	30 June 2022	31 December 2021
Number of shares authorised	375,000	375,000
Number of shares issued, out of which fully paid	375,000	375,000
Par value per share	EUR 0.12	EUR 0.12

The share premium is the amount received by the Parent Company in the excess of the par value of its shares. As at 30 June 2022, the share premium amounted to EUR 693 million (31 December 2021: EUR 640 million). The change in EUR value relates to the change in the Parent Company's functional currency (refer to A.6 and the condensed consolidated interim statement of changes in equity). The share premium is freely distributable.

During the period ending 30 June 2022, the Parent Company paid dividends totalling EUR 45 million (30 June 2021: EUR 132 million).

E.14. Other reserves

E.14.1. Other reserves

The other reserves (presented in "other reserves" line item in the condensed consolidated interim statement of changes in equity) represent other capital funds resulting from historical demerger of CETIN CZ and other capital funds from the merger of the Parent Company with PPF A3 B.V. The other reserves are not available for distribution to shareholders.

E.14.2. Currency translation reserve

The currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of companies within the Group with a functional currency other than the Group presentation currency, which is the euro. The translation reserve is not available for distribution to shareholders.

E.14.3. Hedging reserve

The hedging reserve, i.e., the cash flow hedge reserve, represents the effect of the recognition of the effective portion of changes in the fair value of hedging instruments in other comprehensive income in equity. The cash flow hedge reserve is not available for distribution to shareholders. As at 31 December 2021, the hedge reserve was fully derecognised via consolidated statement of income as the foreign currency losses due to the discontinuation of the cash-flow hedge relationship in CETIN CZ (refer to C.1).

E.15. Non-controlling interests

The following table summarises the information relating to CETIN CZ, and TMT Hungary Infra that are consolidated subgroups with NCI:

In millions of EUR

30 June 2022	**TMT Hungary Infra**
NCI percentage (ownership)	**25.00%**
Country of incorporation	Netherlands
Total assets	424
Total liabilities	(133)
Net assets	**291**
Carrying amount of NCI	73
NCI percentage during the period	**25.00%**
Revenue	64
Profit	24
Other comprehensive expense	(22)
Total comprehensive income	2
Profit allocated to NCI	6
OCI allocated to NCI	(5)
Dividends paid to NCI	**-**

In millions of EUR

As at 31 December 2021	**CETIN CZ**	**TMT Hungary Infra**
NCI percentage (ownership)	**-**	**25.00%**
Country of incorporation	Czech Republic	Netherlands
Total assets	2,369	424
Total liabilities	(1,578)	(135)
Net assets*	**791**	**289**
Carrying amount of NCI	-	72

30 June 2021	**CETIN CZ**	**TMT Hungary Infra**
NCI percentage during the period	**10.27%**	**25.00%**
Revenue	343	63
Profit	48	27
Other comprehensive income/(expense)	3	(5)
Total comprehensive income	51	22
Profit allocated to NCI	5	7
OCI allocated to NCI	2	2
Dividends paid to NCI	**6**	**11**

*NCI balance determination for CETIN CZ excludes goodwill recognised by PPF Group at acquisition of CETIN CZ (under O2 Czech Republic, a.s.) in 2014.

E.16. Off-balance sheet items

E.16.1. Commitments

In millions of EUR

	30 June 2022	31 December 2021
Capital expenditure commitments – PPE	64	58
Capital expenditure commitments – intangible assets	10	6
Total commitments and contingent liabilities	**74**	**64**

E.16.1. Off-balance sheet assets

In millions of EUR

	30 June 2022	31 December 2021
Guarantees accepted	5	4
Loan commitments received	200	200
Total commitments and contingent assets	**205**	**204**

E.16.2. Regulatory investigations

In 2016, the European Commission initiated own-initiative proceedings concerning suspected infringement of Article 101 of the Treaty on the Functioning of the European Union (agreements disrupting competition in the internal market). The reason given is the network sharing agreement concluded between T-Mobile and O2 CZ in 2013 (as part of the 2015 spin-off, the contract was transferred to CETIN). In the notification, the Commission initially stated that the commencement of the proceedings alone does not mean that it is convinced of any offense. The Group has submitted its opinions and supporting documents to the Commission and cooperates with an international expert institute.

On 7 August 2019, the Commission issued a statement of objections, expressing its intention to issue a decision that the network sharing agreements constitute a breach of Article 101 of the Treaty. If such a decision were taken, there would be a risk for O2 CZ and CETIN of imposition of a fine pursuant to Article 23 of Regulation (EC) No. 1/2003 and possibly of imposition of further measures to put an end to the alleged infringement. However, the Commission has in no way indicated the amount of the potential fine, not even approximately. On 8 August 2019, European Commission informed PPF Group N.V. that intends to extend the above-described investigation also to PPF Group N.V. On 14 February 2020, the Commission has delivered to PPF Group N.V. (the Group’s ultimate shareholder) statement of objection; PPF Group N.V. has replied to it on 20 April 2020. A formal oral hearing took place in this case from 15 to 17 September 2020. All investigated participants summarised their defence against the concerns of the Commission, including all factual, legal, economic and technical arguments supporting the position of the participants. Follow-up communication is ongoing and the Commission may now (i) amend its comments (in the form of an additional statement of objection or in another similar way), (ii) issue a decision on the breach of competition law, (iii) enter into negotiations on commitments with the Group entities and the other participants and, if agreement can be reached, issue a decision terminating the proceedings without the breach of competition law being confirmed, or (iv) stop the proceedings without a decision.

In August 2021, the Commission adopted a preliminary assessment under which it reduced its concerns and enabled formally the investigated parties to offer commitments. The parties did respond to the preliminary assessment and rejected the concerns while, after the deep discussion with the Commission, offered such commitments.

After several procedural steps performed by the Commission and the updates of the commitments as a follow-up to discussions with the Commission, on 11 July 2022, the Commission accepted the offered commitments and decided on the closure of the proceedings. No fine nor other additional remedy was decided upon by the Commission.

E.17. Related parties

The Group has related party relationships with PPF Group N.V., PPF TMT Holdco 1 B.V., PPF TMT Holdco 2 B.V. and PPF Telecom Group B.V. (as the indirect and direct parent companies) and fellow subsidiaries. Those significant are disclosed below.

E.17.1. Transactions with fellow subsidiaries

During the course of the six-month period, the Group had the following significant transactions at arm’s length with fellow subsidiaries (i.e., entities under control of PPF Group N.V.):

In millions of EUR

	30 June 2022	31 December 2021
Receivables due from banks	-	4
Trade receivables	78	69
Cash and cash equivalents	36	34
Right-of-use assets (IFRS 16)	1	1
Trade payables	(6)	(5)
Lease liabilities (IFRS 16)	(1)	(1)
Contract liabilities	(12)	(13)
Negative fair value of derivatives	-	(3)
Debt securities issued	(4)	-

In millions of EUR, for the six months ended 30 June

	30 June 2022	30 June 2021
Revenue	375	347
Other income from non-telecommunication services	-	1
Other operating expenses	(16)	(16)
Net loss on financial assets	(1)	-

The most significant contracts are mobile network services agreements (MSA) and management and operational services agreements (MOSA), concluded with the Group’s fellow commercial retail telecommunication entities from PPF Group. The main substance of the MSA agreements is that the Group owns and operates the mobile network and, using this network, it provides wholesale telecommunication services to the fellow commercial retail telecommunication entities. This enables the respective commercial retail telecommunication entity to provide telecommunication services to end customers (and generate revenue). The MSA agreements include various types of specialised services, including radio access network (RAN) design services (includes planning, operating, maintenance and optimisation), transport services, core network service and value-added technology services. Under MOSA agreements, the Group provides these commercial retail telecommunication entities with networking, security and IT services.

Revenue generated from these agreements is disclosed in detail in section D and note E.1.1. Total fee is generated by base fee, inflation, FX rate and electricity adjustments to base fee and additional fee annually increased by expected and incrementally ordered projects and network capacity. In 2021, the Group concluded with its customers the amendments to the MSA agreements prolonging the contracts till 31 December 2051. Under the new conditions, the annual base fee without adjustments for the next 10 years totals EUR 478 million. All arrangements are concluded at arm's length conditions.

F. Significant accounting policies

F.1. Significant accounting policies

The Group applies the same accounting policies in these condensed consolidated interim financial statements as were applied in the most recent annual consolidated financial statements for the year ended 31 December 2021, except for the changes described below.

Amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021 (issued on 31 March 2021) (effective from 1 April 2021)

The amendment provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. When there is a change in lease payments, the accounting consequences will depend on whether that change meets the definition of a lease modification, which IFRS 16 Leases defines as "a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease (for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term)".

Since lessors continue to grant COVID-19-related rent concessions to lessees and since the effects of the COVID-19 pandemic are ongoing and significant, the IASB decided to permit a lessee to apply the practical expedient regarding COVID-19-related rent concessions to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022 (rather than only payments originally due on or before 30 June 2021).

The amendment had no impact on the Group's consolidated financial statements.

Amendments to IFRS 3, IAS 16, IAS 37 and Annual Improvements 2018-2020 (effective from 1 January 2022)

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

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

F.2. Standards, interpretations and amendments to published standards not yet effective but relevant for the Group's consolidated financial statements

A number of new standards, amendments to standards, and interpretations were not yet effective as of 30 June 2022 and have not been applied in the preparation of these condensed consolidated interim financial statements. Of these pronouncements, the following will have a potential impact on the Group's operations. The Group plans to adopt these pronouncements when they become effective.

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

These amendments to IAS 1 affect only the presentation of liabilities in the statement of financial position — not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. They clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability.

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

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

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (effective from 1 January 2023)

Applying the amendments, an entity discloses its material accounting policies, instead of its significant accounting policies. The amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial.

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

Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (effective from 1 January 2023)

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”.

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

Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from s Single Transaction (effective from 1 January 2023)

The amendments require entities to recognised deferred tax on transactions that, on initial recognition give rise equal amounts of taxable and deductible temporary differences. The typical areas impacted are deductible temporary differences associated with right-of-use assets and lease liabilities, and decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related assets.

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

G. Subsequent events

No significant events occurred after the end of the reporting period.

7 September 2022

Board of directors:

Jan Kadaník
Chairman of the board of directors

Jan Cornelis Jansen
Member of the board of directors

Marcel Marinus van Santen
Member of the board of directors

Juraj Šedivý
Member of the board of directors

Kamil Burganov
Member of the board of directors

Andrew James Dench
Member of the board of directors

Jaime Smith Basterra
Member of the board of directors