CETIN a.s.

Consolidated Annual Report 2020

Contents

Appendices

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**".

A word of introduction from the Chairman of the Board

Ladies and gentlemen,

2020 has changed more than we expected. The scale of the coronavirus pandemic has brought unprecedented obstacles that are, unfortunately, faced by virtually all economies in the world. On the other hand, telecommunications is one of the sectors that help companies, educational institutions, individuals and entire communities to function even during the crisis and that are experiencing an increase in demand for reliable and secure services due to the massive move of people to the online environment.

With regard to CETIN's performance last year, I can confirm that we achieved positive results, mainly thanks to the development of mobile network services, the growth of fixed high-speed Internet services on the modernised access network and the demand for data services.

Despite the difficulties caused by the pandemic, we managed to launch a programme for building our own optical networks. This project will continue to be crucial for CETIN in the coming years if we are to fulfil the commitment we have made, i.e. to build one million FTTH connections within six years. In addition, last year we practically completed a comprehensive modernisation and acceleration of our copper network using remote DSLAMs and deploying new technologies, such as bonding. At the end of last year we also successfully completed the procurement procedure and entered into a cooperation agreement for the construction of a new generation 5G mobile network and the modernisation of the radio access network with the market leader, Ericsson. Last but not least, we introduced new processes and system platforms which we use to plan the construction of optical networks and to support sales activities in order to ensure an adequate return on investment.

As Chairman of the Board of Directors of CETIN, I would like to take this opportunity to thank all our employees for their work and commitment with which they managed to combine work and family responsibilities in the difficult conditions during last year. Their everyday work significantly helps the entire society to function despite the ongoing pandemic. Even in these circumstances, they were able to lead CETIN to positive financial results and lay the foundation for the further development of our business activities in 2021.

Juraj Šedivý

Chairman of the Board of Directors, CETIN a.s.

Company profile

Basic information about the Company

Trade name:	CETIN a.s.
Legal form:	joint stock company (akciová společnost)
Registered office of the Company:	Českomoravská 2510/19, Libeň, 190 00 Praha 9
Company registration number:	04084063
Commercial Court:	Municipal Court in Prague, file B 20623
Date of foundation:	1 June 2015
Registered capital:	CZK 3,102,200,670

Presentation of the company

CETIN was formed by splitting from O2 Czech Republic a.s. with effect from 1 June 2015. As a result, an infrastructure telecommunications wholesale company was established that is not tied to any particular end service provider. The Company offers its services to all telecommunications operators and Internet service providers that use them to provide services to end customers.

At national level, CETIN primarily provides mobile network infrastructure services, mass fixed-line network services (network access services, xDSL and fibre connections, IP TV, voice services), data services for corporate networks and rental of data centres. The main customers in the Czech market are telecommunications operators and internet service providers. CETIN owns and operates the largest telecommunications network in the Czech Republic. The CETIN telecommunications network covers 99.6% of the population through fixed technologies and a set of mobile technologies that are distributed by approximately 6,400 base stations. CETIN participates in a network sharing project and thus provides its mobile infrastructure for O2 Czech Republic a.s. and T-Mobile Czech Republic a.s. In 2020, CETIN continued to strengthen the capacity of the LTE network, start building the 5G network and prepared for the overall modernisation of the mobile telecommunications network.

CETIN's nationwide network includes about 20 million km of pairs of metallic cables and 50,000 km of optical cables throughout the Czech Republic and more are being added every day, thanks to extensive investments in the FTTC (Fibre to the cabinet) and FTTH (Fibre to the home) programmes. In 2020, CETIN doubled the number of flats with available connection to the optical infrastructure. During the year, the company built another almost 800 rDSLAMs - FTTC street switchboards thereby increasing the available internet connection speed for another approximately 148,000 flats. Currently, it offers a connection with an available speed of 50 Mbit/s and higher for almost 85% of households in the entire network. Extensive construction, together with the continuous improvement of the network and its parameters, was also reflected in the overall acceleration of Fixed BroadBand, which in 2020 reached an average speed of 105 Mbit/s, which is a year-on-year increase of a quarter.

In 2020, in the area of development projects CETIN strengthened its position as the infrastructure of choice for developers, partners and, indirectly, for end customers. We are building the most connections in modern history and most of them with passive FTTH technology, i.e. optics all the way to the house. On these optics, we offer several technological innovations that we have successfully brought to life in pilot locations. CETIN is therefore becoming a partner for developers that not only provides a wide selection of service providers on its open network, but also enables basic preparation via its network for smart home services, which are increasingly being promoted in new projects.

CETIN provides international services for both domestic and foreign service providers. At international level, the company is present through physical network nodes (PoPs) in London, Vienna, Bratislava, Frankfurt and Hong Kong. It offers comprehensive international voice and data services to more than 200 customers worldwide. International transit services mainly consist of international voice traffic transmissions for international operators from all over the world. This type of service is characterised by significant revenues with a very low margin, but also requiring minimal operating and investment costs.

Thanks to its experienced employees and extensive infrastructure, CETIN offers efficient, reliable and secure wholesale telecommunications services throughout the Czech Republic. More than 2,000 CETIN employees take care of their customers to enable them to deploy their networks efficiently and quickly and to ensure their operation and availability throughout the Czech Republic. It manages large projects for operators and providers of telecommunications services, so as to guarantee its partners the effective deployment of infrastructure that is among the best in its class.

CETIN Group consists of CETIN a.s. and its subsidiaries CETIN Finance B.V., CETIN služby s.r.o., STEL-INVEST s.r.o. and CZECH TELECOM Germany GmbH i.L., which is in liquidation. STEL-INVEST s.r.o. was merged with CETIN, a.s. with effect from 1 February 2021 as part of a domestic merger. In 2020, a decisive part of CETIN Group's services was provided in the Czech Republic. The permanent establishments in Germany and Austria made it possible, in particular, to operate access points abroad in order to provide international transit services to foreign operators.

Attestations

Certificate of Facility Security Clearance. Level of classification SECRET. This certificate allows the facility to have access to classified information, which is originated or released by the facility, according to Section 20(1) of Act No. 412/2005 Coll., on the Protection of Classified Information and Security Eligibility.

The National Cyber and Information Security Authority (NÚKIB) issued our company with an Information System Certificate for processing classified information up to the SECRET level. This system enables the company to fully process information in electronic form.

Investment grade credit rating Baa2 with stable outlook (from October 5, 2020), awarded by Moody's international rating agency. Investment grade credit rating BBB, awarded by Fitch Ratings international rating agency.

Certificates

Quality management system according to ISO 9001:2015
Environmental management system according to ISO 14001:2015
Health and safety management system according to BS OHSAS 18001:2007; during the control audit of the integrated management system carried out in September 2020, the company was already certified according to the new ISO 45001:2018 standard
Information security system according to ISO 27001:2013
Energy management systems according to ISO 50001:2011; during the control audit of the integrated management system carried out in September 2020, the company was already certified according to the new version of the ISO 50001:2018 standard.

Company bodies and senior management

Board of Directors

Ing. Juraj Šedivý	Member of the Board of Directors, from 1 January 2019, Chairman of the Board of Directors from 8 January 2019
Ing. Filip Cába	Member of the Board of Directors from 1 January 2019, Vice-Chairman of the Board of Directors from 8 January 2019
Mgr. Michal Frankl	Member of the Board of Directors from 1 June 2015
Ing. Martin Škop	Member of the Board of Directors from 1 September 2020

Supervisory Board

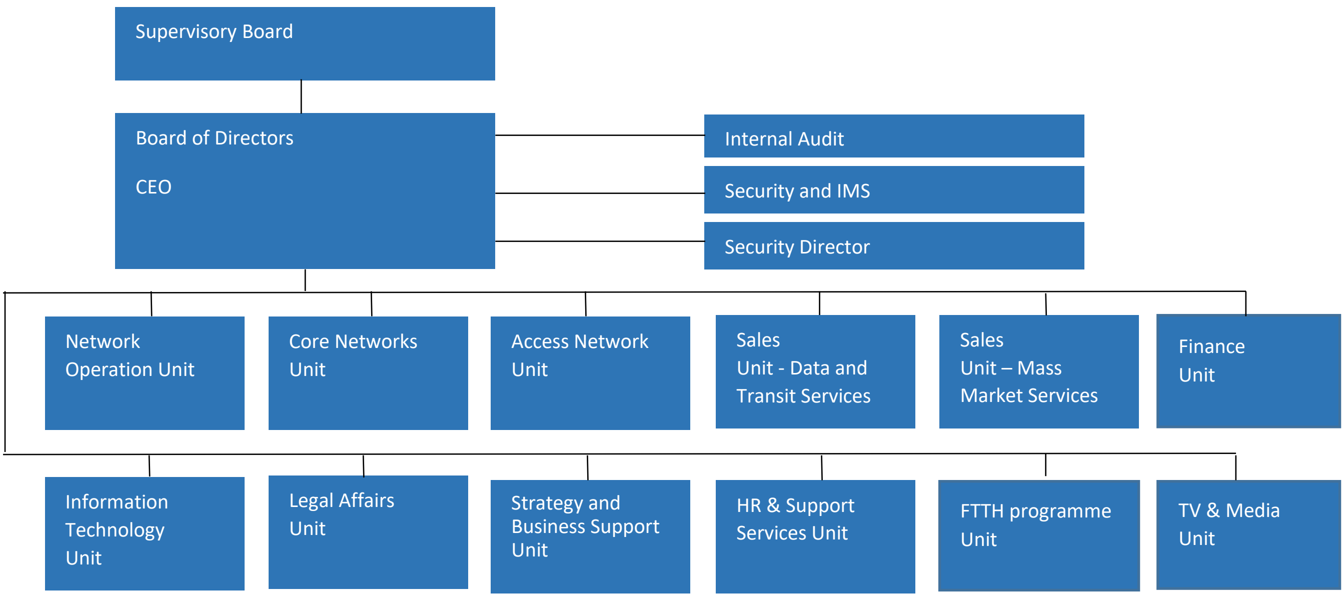
Ing. Martin Vlček	Member of the Supervisory Board from 1 January 2019, Chairman of the Supervisory Board from 8 February 2019
Ing. Petr Slováček	Member of the Supervisory Board from 1 January 2019, Vice-Chairman of the Supervisory Board from 8 February 2019
Lubomír Vinduška	Member of the Supervisory Board from 23 January 2019

Executive management

Status as of 31 December 2020:

Ing. Martin Škop	Chief Executive Officer from 1 September 2020
Ing. Petr Holý Ph.D.	Director, Network Operation Unit from 1 August 2016
Ing. Vladimír Filip	Director, Core Networks Unit from 1 June 2015
Ing. Petr Gazda	Director, Access Network Unit from 1 June 2015
Ing. Katarína Vániková	Director, Sales Unit - Data and Transit Services from 1 September 2020
Ing. Štefan Szabo	Director, Sales Unit - Mass Market Services the from 22 October 2020
Ing. Filip Cába	Director, Finance Unit from 1 June 2015
Ing. Vladimír Klein, MBA	Director, Information Technology Unit from 14 April 2020
Mgr. Ľubomír Bubelíny, Ph.D.	Director, Legal Affairs Unit from 1 October 2018
Mgr. Michal Frankl	Director, Business Support from 1 June 2015
Bc. Milena Synáčková	Director, Human Resources and Support Services Unit from 1 July 2015
Ing. David Sýkora	Director, FTTH programme from 1 September 2020
Ran Yanay	Director, TV & Media unit from 15 October 2019

Company's organisational structure



Board of Directors’ report on business activities

The Company’s business activities

CETIN Group comprises CETIN a.s. and its subsidiaries CETIN Finance B.V., STEL-INVEST s.r.o., CZECH TELECOM Germany GmbH i.L and CETIN služby s.r.o. In addition to its subsidiaries, CETIN has registered permanent establishments in Austria and Germany. In 2020, the decisive part of the company’s services was provided through communication networks and related assets in the Czech Republic. The permanent establishments in Germany and Austria have allowed the company to operate access points abroad in order to provide international transit services to foreign operators. The subsidiary CETIN Finance B.V. based in the Netherlands was used to issue Eurobonds and provide financing for the Company. STEL-INVEST s.r.o. specialises in the construction of energy networks and servicing of telecommunications and energy networks, merging with CETIN, a.s. as of 1 February 2021. The subsidiary CZECH TELECOM Germany GmbH i.L is in liquidation and in 2021 the company expects to be deleted from the commercial register. The subsidiary CETIN služby s.r.o. did not generate any business activity in 2020.

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

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

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

The international transit services primarily consist of the transmission of international voice traffic for international operators from all over the world. Considerable revenues with a very low margin that require minimum operating and capital costs are characteristic of this type of service.

A significant source of the Company’s revenues and profits in 2020 were three major contracts with O2 Czech Republic a.s.: a contract on the provision of mobile network services, a contract on access to the public fixed-line telecommunication network, and a contract on the provision of data centre services. The contracts represent a long-term obligation on the part of O2 Czech Republic a.s. to use the Company’s services and the Company’s commitment to the agreed service levels and their improvement.

Cooperation with the companies T-mobile Czech Republic a.s. and Vodafone Czech Republic a.s. is being extended. The successful development of these business relationships and thus the provision of wholesale electronic communications services to all major retail telecommunications operators in the Czech Republic corroborate the fact that the Company is a successful independent wholesale operator.

Products and services

Mobile network services – the Company is the main provider of mobile network services for O2 Czech Republic a.s. It also operates the mobile network for T-Mobile Czech Republic a.s. in half the country through a shared network. The lease transmission station capacity is a secondary source of income.

Mass fixed-line network services – the Company primarily offers services under equal conditions to all operators in the Czech market, involving access to the fixed-line network for the vast majority of housing units in the country, together with related voice services, xDSL or fibre broadband Internet access (broadband, FBB), IPTV paid television, local-loop unbundling (VULA and LLU) and technology collocation.

Data services – the Company also provides operators with data services on leased lines for their corporate customers.

International transit services – the Company provides international operators from all over the world with the transmission of international traffic, primarily voice.

Other services – this category includes the lease of dark fibres, housing in data centres, national interconnection services, support services for roaming, forced network transfers, duct hire and other associated services.

Commented financial results

This section provides comments on the CETIN Group's financial results in 2020. For detailed information, see the Consolidated Financial Statements for the financial year ended on 31 December 2020 in the following sections of this Annual Report.

Revenues, costs and profit

The CETIN Group's total revenues amounted to CZK 18.9 billion in 2020. Total operating costs reported by the CETIN Group were CZK 10.3 billion, with the major part represented by the cost of sales in the international transit segment. The CETIN Group reported a total of CZK 1.4 billion in payroll costs. Other significant cost items were property leases, maintenance and operation and network operating and maintenance expenses.

The earnings before impairment loss, interest, taxes, depreciation and amortisation (EBITDA) amounted to CZK 8.8 billion in 2020, with the predominant part of the profit coming from the national network services segment. The CETIN Group's profit after tax was CZK 2.5 billion in 2020.

Fixed tangible assets

Reduced by depreciation and other adjustments during the year, the net value of land, buildings and equipment required for the Company's operations was CZK 48.2 billion as of 31 December 2020.

Cash and debt

In 2016, CETIN's subsidiary CETIN Finance B.V. issued Eurobonds. Outstanding tranches of Eurobonds amount to EUR 625 million (5 years maturity) and CZK 4.9 billion (7 years maturity) as of 31 December 2020. The bonds are admitted to trading on the Euronex Dublin. Should CETIN Finance B.V. default on the bond related liabilities, CETIN will be obliged to meet the liabilities as a guarantor. The foreign exchange risk of the bonds is hedged using derivatives.

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

For detailed information on loans and bonds, see Note 16 of the Notes on 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 600 million was paid on 31 August 2020 and the third instalment of the amount of 194 million was paid on 30 September 2020.

Capital expenditure

In 2020, the CETIN Group acquired fixed assets amounting to CZK 4.4 billion. These investments were mainly channelled into the development of the telecommunication infrastructure. The main investment projects included the continued modernisation of the fixed-line network with FTTC, FTTH and FTTB technology, strengthening the capacity of mobile networks and increasing its density and replacing older technologies with current ones.

Cash flows

The CETIN Group's operating cash flow amounted to CZK 8.7 billion in 2020. After working capital changes and income tax paid, the net cash flows from operating activities amounted to CZK 8.0 billion. Net cash flows used in investment activities amounted to CZK 4.3 billion, mainly comprising investments in network infrastructure development.

The cash flows used in financing activities principally consisted of coupon payments to bondholders of CZK 0.3 billion, dividend payment of CZK 2.79 billion, expenses of CZK 0.1 billion related to hedging of Eurobonds foreign exchange risk and expenses related to interest and lease payments of CZK 0.8 billion.

In total, the net cash position has thus decreased by CZK 0.3 billion in 2020. The cash flows from the CETIN Group's operating activities were mainly used for investment in the telecommunications infrastructure development (CZK 4.4 billion) and for payments to shareholders and bondholders (CZK 3.09 billion).

Information about own shares

The Company did not acquire its own shares in 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 further strengthen its leading position in the Czech telecommunications market through the best and most extensive networks, attractive products and services with reasonable prices, 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.

Investments in upgrading existing fixed networks will be directed primarily towards construction of FTTH (Fibre to the Home) or FTTB (Fibre to the Building) networks what will allow the Company to improve its competitiveness thanks to the ability to provide fast stable internet directly to customer premises with speeds of 1 Gb/s minimum. In the following years the Company plans to finish the upgrade program for metallic network consisting of construction of remote DSLAMs. The Company plans to start mobile network technology swap with new technology being based on single RAN from Ericsson and including the 5G.

The emphasis will also be on improving the quality of service and overall delivery for services designed for our partners' business clients.

In terms of the financial results, the Company expects a slight increase in mobile network and fixed internet service revenue, which will compensate for the expected continued decline in demand for fixed-line voice services in part of the domestic market. In the international voice transit market, the Company will compensate for the ongoing competitive pressure on margins by penetrating new regions and by adopting a new business model of cooperation with international operators in the medium term. The continuing increase in investment costs for the development and modernisation of the critical telecommunications infrastructure in the future will not significantly affect the Company's ability to generate stable free cash flows.

Telecommunication market in the Czech Republic

Among the significant events affecting the electronic communications market in 2020 was the Covid-19 pandemic, which has led to increased demand for fast and stable new generation access due to the transfer of a significant part of society to working from home and home-based education and increased efforts to digitise the economy. As a result of the pandemic, the significance and societal benefits of a resilient electronic communications infrastructure and services have substantially increased. Regarding fixed networks, Vodafone announced modernization of its network to enable speeds of up to 1 Gbit/s. CETIN continued to bring fibre optics closer to the end users and intensified the deployment of FTTH networks. Also, CETIN and T-Mobile announced their intention to co-invest into new FTTH roll-out. Regarding mobile networks, first commercial 5G networks have been launched by all operators. The frequency auction to assign rights in the 700 MHz and 3.4 – 3.6 GHz bands was completed. The three incumbent mobile operators, O2 Czech Republic, T-Mobile and Vodafone, won the available 700 MHz frequencies. In the 3.4 – 3.6 GHz band auction, mobile operators as well as Nordic Telecom and CentroNet succeeded. In October 2020, terrestrial broadcasting in the DVB-T standard ended, succeeded by the DVB-T2 standard.

The development of regulation and associated legislation

Following the approval of *Directive 2018/1972 establishing the European Electronic Communications Code* and *Regulation 2018/1971 establishing the Body of European Regulators for Electronic Communications (BEREC) and the Agency for Support for BEREC (BEREC Office), amending Regulation (EU) 2015/2120 and repealing Regulation (EC) No 1211/2009*, the Ministry of Industry and Trade in conjunction with the CTO started the legislative process to transpose it into the Act No. 127/2005 Coll., on Electronic Communications and on Amendment to Certain Related Acts (Electronic Communications Act), as amended, as well as into some other laws. The draft law was adopted by the government in November 2020.

Other significant regulatory changes in 2020 include and amendment to the general authorization to provide networks and electronic communications services ((VO-S/1/08.2020-9), which sets some minimum service quality parameters for providing the internet access service with validity as of 1 January 2021. Also, the European Commission published the text of a delegated regulation setting maximum EU rates for call termination in fixed and mobile networks.

CETIN, designated by the Czech Telecommunication Office (CTO) as an undertaking with significant market power, continued to comply with regulatory obligations, which have been imposed following analyses of the relevant markets in the previous period. This involves the obligation to provide access to the relevant markets of call termination at a fixed location, markets of physical and broadband access to the infrastructure, and the leased lines market under the terms and conditions set by the remedy decisions. The CTO opened a review of the relevant markets and obligations.

State policy and support of high-speed Internet access

In the first quarter of 2020, the Ministry of Industry and Trade published a fourth round of the call to submit applications for state aid to build and upgrade high speed electronic communications networks in areas with insufficient service availability. CETIN has applied with several projects.

Alternative performance measures

In accordance with ESMA guidelines on Alternative Performance Measures, the CETIN Group provides detailed information on measures that are not commonly reported under IFRS standards.

Consolidated financial statements:

Measure	Definition	Purpose	Reconciliation to financial statements (in CZK million)
EBITDA	Earnings before impairment loss, interest, taxes, depreciation and amortisation	The indicator expresses a business's operating efficiency	Consolidated Statement of total comprehensive income (EBITDA): 2020: CZK 8,813 million 2019: CZK 8,559 million
EBITDA IFRS 16 adjusted	Earnings before impairment loss, interest, taxes, depreciation and amortisation net of impacts of IFRS 16 standard	Enables the comparison of the business's operating efficiency with other companies on the telecommunications market	Consolidated Statement of total comprehensive income (EBITDA) less operating lease costs not included in Expenses in Consolidated Statement of total comprehensive income (IFRS 16 related costs are included in Depreciation of Assets and Finance Costs) 2020: 8,813 – 806 = CZK 8,007 million 2019: 8,559 – 776 = CZK 7,783 million
Net debt / EBITDA	Ratio of Financial debt minus cash and cash equivalents and Earnings before impairment loss, interest, taxes, depreciation and amortisation (EBITDA)	The indicator shows how many years it would take for a company to pay back its debt	Consolidated statement of total comprehensive income (EBITDA) and Statement of financial position (Cash and Cash equivalent, Financial debt (incl. IFRS 16 liability): 2020: (9,103 + 17,221 – 1,411) / 8,813 = 2.83 2019: (25,058 + 857 – 1,726) / 8,559 = 2.83
Free cash flow	Cash flow from operating activities minus cash used in investing activities	The indicator expresses the remaining cash after all necessary operating expenses paid	Consolidated statement of Cash flows (Cash flow from operating activities, cash flow from investing activities): 2020: 8,008 – 4,305 = CZK 3,703 million 2019: 7,582 – 3,762 = CZK 3,820 million

Standalone financial statements:

Measure	Definition	Purpose	Reconciliation to financial statements (in CZK million)
EBITDA	Earnings before impairment loss, interest, taxes, depreciation and amortisation	The indicator expresses a business's operating efficiency	Statement of total comprehensive income (EBITDA): 2020: CZK 8,805 million 2019: CZK 8,552 million
EBITDA IFRS 16 adjusted	Earnings before impairment loss, interest, taxes, depreciation and amortisation net of impacts of IFRS 16 standard	Enables the comparison of the business's operating efficiency with other companies on the telecommunications market	Statement of total comprehensive income (EBITDA) less operating lease costs not included in Expenses in Statement of total comprehensive income (IFRS 16 related costs are included in Depreciation of Assets and Finance Costs) 2020: 8,805 – 806 = CZK 7,999 million 2019: 8,552 – 776 = CZK 7,776 million
Net debt / EBITDA	Ratio of Financial debt minus cash and cash equivalents and Earnings before impairment loss, interest, taxes, depreciation and amortisation (EBITDA)	The indicator shows how many years it would take for a company to pay back its debt	Statement of total comprehensive income (EBITDA) and Statement of financial position (Cash and Cash equivalent, Financial debt (incl. IFRS 16 liability): 2020: (9,056 + 17,198 – 1,278) / 8,805 = 2.84 2019: (25,000 + 853 – 1,610) / 8,552 = 2.83
Free cash flow	Cash flow from operating activities minus cash used in investing activities	The indicator expresses the remaining cash after all necessary operating expenses paid	Statement of Cash flows (Cash flow from operating activities, cash flow from investing activities): 2020: 8,014 – 4,315 = CZK 3,699 million 2019: 7,585 – 3,770 = CZK 3,815 million

Risk management

The Company is exposed to market, operating, security, financial and global risks. Risks are continually identified by all units and evaluated by the Finance Unit from the perspective of potential financial impacts and the risk probability. Risks that are assessed as significant and current are periodically monitored, and Company bodies regularly review these risks and assign tasks to the risk owners to take preventive measures to effectively limit the impacts or probability of these risks.

The main market risks include public regulation, market environment consolidation and price erosion. Operating risks primarily refer to failures of the network infrastructure, services and critical systems, natural disasters. In the area of operational risks includes mainly cybernetic attacks, and information leaks and infringement (frauds). Financial risks mainly include the credit risk associated with customer receivables and the risk of currency exchange rate fluctuations. The currency exchange rate risk related to EUR-denominated Eurobonds is hedged using cross-currency swaps covering 85% of the debt. Details to the derivatives are disclosed in Note 15 and 16 of the Notes on the Consolidated Financial Statements included herein.

The Global risk is the effects of potential ineffective public relations management by PPF on the reputation and perceived social responsibility of the Company as part of PPF, which could lead to actual negative consequences both economic and operational.

Potential of negative impact of COVID-19 pandemic to economic activities of the Company represents new and extraordinary risk that emerged in 2020. COVID-19 might impact any of all four risk categories. The company has therefore included COVID-19 risk among the actual risks that are regularly reviewed and assessed.

A specific part of the Company’s risk management system is the area of information security and information technology in the context of the ISO/IEC 27000 series and Act No. 181/2014 Coll., on Cyber Security and on Amendment to Related Acts (Cyber Security Act), as amended. The Company actively uses the risk management system pursuant to international standard ISO 27001, which involves annual full-scale analysis of operating risks and Business Impact Analysis. In 2020, these analyses resulted in a risk catalogue, with links to threats and measures aimed at risk minimisation and management according to the respective areas. In September 2020, the relevance of the analysis results were verified during the annual Integrated Management System (IMS) certification audit. The chosen methodology and the risk assessment system passed the audit without any significant deviations from the ISO/IEC 27001 standard being identified. As the Company operates a critical infrastructure component, it also provides related risk assessment and conducts a regular cyber security audit of the information and communication system.

Corporate social responsibility

In the long term, CETIN is supporting selected cultural, social or environmental projects and considers these activities to be an integral part of its business. The coronavirus epidemic and related measures last year reduced most of them or moved them online. Nevertheless, we believed it was right to maintain our support and help the projects to overcome the last year.

CETIN was once again one of the most important partners of last year's international music festival Prague Spring, which took place exclusively online, as well as the theatre Summer Shakespeare Festival. The company also participated in the environmental campaign Planting for the Future and at least financially supported the planting of another tree-lined alley in the village of Šatov in South Moravia. The voluntary activity of our employees also led to the re-involvement of CETIN in the worldwide Movember event, covered in the Czech Republic by the Men Against Cancer foundation.

In addition to the mentioned long-term projects, CETIN, like many other companies and entrepreneurs, joined the fight against coronavirus last year. In addition to cooperating with operators on the rapid launch of the 1212 emergency line, we have established cooperation with the non-profit organization Česko.Digital with the aim of offering free internet to families who cannot afford a sufficiently high-quality connection for financial reasons and whose children find themselves outside of the distance education system. CETIN and its business partners provide a total of a thousand free connections for a period of 6 months, specific households are selected by the non-profit organization, which also provides families with the necessary support in setting up the service. The project is scheduled until the end of June 2021.

Research and development

In its research and development activities, the Company works with the most prominent technical university in the Czech Republic – the Czech Technical University in Prague. The joint project office of the Department of Telecommunications Technology (Faculty of Electrical Engineering, Czech Technical University) and CETIN provides a forum for addressing pressing issues of cybernetic security. The main objective remains the continued implementation of unique methodology for identifying network threats, the increase in network robustness, and the ongoing improvement of the methodology. 2019 saw the continued improvement and development of other system components of a system supporting security management and Integrated management system (IMS) with unique methodology to evaluate the actual operational risks to the Company.

The cooperation between academia and business professionals results in significant synergies, as the success of proposed solutions requires both theoretical expertise and practical experience in finance, legislation, business and operations. The objective of the Faculty of Electrical Engineering (Czech Technical University) is to carry out scientific and research activities and train professionals for practical applications in modern telecommunications networks operated by CETIN. This cooperation provides them with access to outputs from systems operating in a real environment and to current professional practice tasks. It enables CETIN employees to become familiar with the latest scientific processes and findings in telecommunications.

The CETIN Group did not report any research and development activities in 2020 in terms of IFRS accounting standards.

Non-financial information

The consolidated annual report also contains non-financial information pursuant to Section 32g of the Act 563/1991, on Accounting, particularly information on environmental protection and industrial relations.

Environmental protection

CETIN is aware of the importance of maintaining a healthy and undamaged environment for the current generation and future generations. It has therefore incorporated a policy of limiting negative environmental impacts in its strategy and everyday activities, which it also declares in its **Environmental Policy** (available at https://www.cetin.cz/environmentalni-politika).

Risks, or products and services, which could have negative impacts

The Company has determined its environmental aspects in accordance with international ISO 14001 standard, i.e. the elements of activities, products or services at the organisation which could impact on the environment, both for routine operation (real environmental aspects) and for emergency and extraordinary situations (potential environmental aspects).

Significant real environmental aspects

- electricity consumption;
- purchased heat consumption;
- gas and liquid fuel consumption for the production of heat;
- fuel consumption;

- water consumption;
- emissions into the air from stationary sources;
- the production and collection of hazardous waste;
- the production and collection of waste;
- the production of wastewater;
- the use of equipment with controlled substances and fluorinated greenhouse gases.

Potential environmental aspects (risks)

- the escape of refrigerants (damaging the ozone layer and fluorinated greenhouse gases);
- the escape of natural gas;
- the leakage of fuels;
- the escape of harmful substances into water and soil;
- the escape of waste and emissions from fire;
- the escape of contaminated waste and emissions through floods.

Measures applied and care procedures

Since its foundation in 2015, CETIN has had in place an environmental management system according to international ISO 14001 standard as part of its integrated management system. CETIN obtained a certificate for its energy management system in 2016 according to international ISO 50001 standard. The validity of these certificates was repeatedly confirmed by the Certification Audit of the independent certification company TUV NORD Czech in September 2020.

Targets leading to limiting negative impacts on the environment in 2020 mainly focused on reducing energy consumption, making fuel savings and replacing refrigerants in air-conditioning units, which will also lead to reducing the emission of greenhouse gases and harmful substances into the air and to financial savings. Several major projects were launched by the Company in recent years that will also bring significant energy savings. Significant energy savings were recorded by moving the company's headquarters to a new building.

Key performance indicators and the results of measures applied

In the Energy Policy (available on the website https://www.cetin.cz/energeticka-politika), CETIN is committed to increasing the energy efficiency of the company's products and services, ensuring the availability of relevant information and resources necessary to achieve energy goals and targets, ensuring compliance with other requirements. In view of the high number of buildings (administration and technology buildings, mobile network base stations) which the Company uses throughout the Czech Republic, the use of energy is primarily monitored at premises with significant consumption, meaning in those places where electricity consumption associated with the technology used to create products and provide services is higher than 30,000 kWh per year. The technology operated is as follows: fixed telecommunication network, mobile network, and data centres. The latest update of the Energy Policy in 2020 also included a change in the setting of the Energy Performance Indicator (EnPI) for the technologies used to meet the conditions for CETIN's business activities and to reflect in real terms the energy performance reduction.

The basic energy objectives of the Company for a period of five years were set by the Energy Policy as follows: for electricity - increase of energy efficiency indicator by 60 % for fixed network, increase of energy efficiency indicator by 80 % for mobile network and non-decrease of energy efficiency indicator for data centres; for thermal energy, a 15 % reduction in consumption; for natural gas reduction of consumption by 15 %.

For fixed and mobile networks, this indicator is the specific energy consumption per number of services provided and for data centres the PUE ratio. Reduction of consumption and improvement of energy efficiency indicators is related to the state and scope of provided services and products to the set initial state of energy consumption as of 31 December 2016.

Compared to 2019, the total electricity consumption in 2020 decreased by 0.5 %. Total gas consumption decreased by 29.5 %. Consumption of consumed heat then decreased by 10 % in 2020 compared to the previous year.

In fixed and mobile networks, projects continue to replace technologies with more modern and cost-effective ones. In data centres, electricity consumption depends on the increase in the occupancy of halls by new customers. The development of thermal energy and natural gas consumption is mainly influenced by the ongoing reduction of sites and leased premises and the merging of technologies.

Fuel consumption in 2020 was as follows: diesel consumption for back-up power sources (generators) amounted to 18.1 thousand litres, which represents a slight year-on-year decrease. This consumption is due to the necessity to ensure nationwide operation of fixed and mobile networks in the event of a power failure (e.g. due to failures or bad weather), therefore it is not possible to prioritise savings here. The year-on-year difference is due both to the liquidation of some MGs and to a reduction in the load of ongoing austerity projects. Consumption of fuels for means of transport reached the level of 1,572,844 litres, which represents a year-on-year decrease of 3.3 %. These results reflect the decreasing number of service vehicles and the lower kilometre distance - 25 million km in 2020 - travelled less due to the decreasing volume of activity in telecommunication networks throughout the country during the pandemic of COVID-19 disease.

Water and air protection

Water consumption decreased by 9.9 % in 2020 to 54.8 thousand litres. Wastewater produced by the Company's operations represents only normal pollution common in office operations and is discharged into the sewerage system in accordance with the contracts concluded with the water and sewerage companies. The Company operates about 150 enumerated stationary sources of air pollution: five boiler rooms, and above all several spare power sources (generators), enabling the operation of the technology in the event of a standard power failure. Comprehensive data on their operation and on-air emissions are reported to the state administration according to legal requirements through the Integrated Environmental Reporting System (ISPOP).

Waste and its collection

CETIN keeps records of waste production according to valid legislation. In 2020, the company was responsible for 29 types of waste, seven of which were hazardous. Hazardous waste is not primarily a result of the standard operating activities of the company but is mainly produced during modernisation of outdated equipment and the disposal of obsolete devices. The Company produced 1847 tons of waste in 2020, a year-on-year decrease of 21 %. There were 1.24 tons of hazardous waste. This was mainly glass, plastics and wood containing hazardous substances and cables containing oils, tar, and other hazardous substances. A total of 182 tonnes of mixed municipal waste was handed over in 2020, which represents a year-on-year decrease of 21 %.

The Company participates in the EKO-KOM collective system, established for joint compliance with the regulations of collection and use of packaging waste. As part of its obligations regarding separate collection of electrical and electronic equipment and batteries, the Company handed over 49.6 tons of electrical and electronic equipment and batteries for environmentally friendly disposal in2020, in cooperation with the REMA Systém and REMA Battery collective system. This was 4 % more than in the previous year.

The use of equipment with controlled substances and fluorinated greenhouse gases

The Company used HFC refrigerants in technological air-conditioning units in 2020, as well as HCFC (for example, R22) that are more of a threat to the ozone layer in case of escape. The Company's environmental objectives primarily focus on replacement of such technology with new technology that is safer for the environment. Refrigerant leaks from technological air conditioners increased year-on-year, in 2020 they reached a total value of 198.8 kg (in 2019 it was 174.6 kg), it was mainly the result of an operational accident of a large air conditioner. Significantly, however, only 2.2 kg of this was of the HCFC type (compared to 47.5 kg in 2019).

Respecting human rights and the fight against corruption

Risks, or products and services, which could have negative impacts

The risk of infringement of human rights in labour relations between employees arises during the business activity undertaken at CETIN. Due to the wholesale nature of the Company's business model, which provides infrastructure services exclusively to retail providers, CETIN's business activity does not have any direct impacts on the human rights of customers or the public.

The risk of corruption during the Company's business activity arises during business dealings between company employees and suppliers, customers, government authorities and other external bodies.

Measures applied and care procedures

The fight against corruption and the protection of human rights at CETIN, and throughout the whole PPF Group, is governed by the PPF Group Code of Ethics and by internal guidelines entitled Corporate Compliance Internal Investigation ("CCII"). CETIN adopted both regulations with effect on June 1, 2017. It is regularly assessed whether the processes set by these rules are up-to-date and effective. The relevant regulations are updated if necessary.

Code of Ethics

The Code of Ethics describes the fundamental rules which govern CETIN's and its employees' daily operation and sets out the framework within which all other internal regulations at CETIN must be interpreted. The Code is part of the Corporate Compliance programme, which primarily sets out the fundamental principles and rules of conduct for all employees at the Company and enables compliance checks and remedies to be put in place when shortcomings are discovered or objectionable or illegal conduct identified.

The Code of Ethics is also dedicated to the protection of human rights in all CETIN and PPF Group activities. The Code does not permit any form of discrimination of workers – this also applies to the allocation of work and due remuneration. Nor does it permit any form of harassment, intimidation, forced or illegal work. Workers at CETIN are also obliged to consider and respect to the maximum extent the individuality and privacy of their colleagues. It is forbidden to make any statements which are inappropriate, offensive or vulgar in relation to other workers or to harass, intimidate, demean or insult them in any way.

The Code of Ethics also deals with corruption and the prevention of corrupt conduct. CETIN and the PPF Group entirely reject any form of bribery and of providing or receiving any unauthorised payments, payments having no legal grounds or any such similar performance. Workers are obliged to familiarise themselves with the relevant rules of legal regulations, the internal regulations at the PPF Group and the internal regulations of the commercial partner, if available to them, and cultural and social customs before providing or receiving a gift or any other performance (for example, a payment for services). The Code of Ethics also determines the gifts which may be accepted and how to proceed in case of any attempt at corrupt conduct.

Corporate Compliance Internal Investigation

The objective of the Corporate Compliance Internal Investigation guidelines is to regulate how to proceed within the CETIN Group (as part of the PPF Group) in case of suspicion, investigation and discovery of action which is unethical or improper and/or action which is contrary to legal regulations or the internal regulations at CETIN, or the Code of Ethics at the PPF Group. The guidelines also determine the main principles, the means of prevention, the structures of responsibility and individual powers and define the activities carried out during the management of Corporate Compliance and the adoption of corrective measures, both individual and of a systematic character.

The Compliance programme includes an e-learning course entitled Compliance Programme, the proper completion of which must newly be completed by a test of the acquired knowledge, while it is necessary to correctly answer all test questions. Training must be repeated every 2 years.

Employees may report their suspicions of unethical conduct in person to the authorised worker at CETIN (CETIN Compliance Officer) or by e-mail to eticke.zasady@cetin.cz. Another possible channel through which the Company receives information regarding infringement of the Code of Ethics, or of other regulations, is a public web interface at https://www.cetin.cz/odpovedny-pristup. Any CETIN employee can also submit information using the Company's intranet.

The Company also binds all its contractual partners to act in accordance with the Code of Ethics. The following provision is an inseparable part of all newly made or modified contracts:

"[CETIN] has adopted and complies with the internal corporate compliance programme which is designed in such a manner that activities of [CETIN] comply with applicable legal regulations, rules of ethics, morals, and which includes measures the objective of which is to prevent and detect breaches of mentioned regulations and rules [(the Corporate Compliance programme)].

[The Contractual Partner] (and any individual or legal entity that cooperates with said Contractual Partner and that is used for the fulfilment of obligations from [This Agreement] or in relation to its conclusion and performance, i.e. staff members, representatives, or external collaborators) observes and complies with applicable legal regulations, fundamental moral and ethical principles. [The Contractual Partner] rejects any tortious acts and refrains from them. [The Contractual Partner] declares, to the best of [its/his/her] knowledge and belief, that neither [it/he/she] nor any of [its/his/her] staff members, representatives, or external collaborators had breached applicable law and regulations in relation to the conclusion of [This Agreement]. [The Contractual Partner] declares that [its/his/her] activities are legal and all [its/his/her] funds originate from legal sources only.

[The Contractual Partner] is obliged to take all reasonable measures and use [its/his/her] best efforts to prevent [itself/himself/herself] or any of [its/his/her] staff members, representatives, or external collaborators from any infringement of applicable law and regulations committed in relation to the subject matter of [This Agreement].

Irrespective of the subject matter of [This Agreement], [The Contractual Partner] declares that [it/he/she] takes and shall take all reasonable measures and uses and shall use its best efforts to avoid any act or situation within [its/his/her] operation or in [its/his/her] favour which could threaten or damage [its/his/her] reputation in a manner that could result in negative consequences for [its/his/her] counterparties' reputation.

(If [the Contractual Partner] acts for [CETIN] or on its behalf, [the Contractual Partner] will demonstrate that it complies with principles stated.)".

Key performance indicators and the results of measures applied

Leading indicators of the success of asserting the Code of Ethics and the Compliance programme include the availability of all information about CCII and about the corresponding training for all employees and other workers, as well as the level of training among workers in this area. The Code of Ethics and the Compliance programme are permanently available to all staff at the Company intranet in the form of the relevant documents and e-learning course. The level of training of all staff in 2020 exceeded 99.6 %.

The main lagging indicator of the outcome of applied measures is the quantity and quality of recorded incidents, received through all communication channels specified above. No information was submitted in 2020, the same as in previous years.

Social and employee-related matters

Risks, or products and services, which could have negative impacts

The Company's business activity, which requires a relatively high number of employees, leads to the risk of failure to adhere to the Labour Code and associated laws and standards, which could lead to threats to the health and legal rights of employees. Insufficient or poor communication between Company management and employees could have negative impacts on the quality of the working environment, motivation levels and employee satisfaction. Inappropriately set internal policies could lead to discrimination of employees based on sociodemographic features.

Due to the wholesale nature of the business model of the Company, which provides infrastructure services exclusively to retail providers, business activities at CETIN do not have any direct impacts on society and the community outside the group of its employees.

Measures applied and care procedures

The main means of due care in relation to employee-related matters are the everyday work of the competent team at the Human Resources unit, cooperation with the trade union organisation, the collective agreement, the Work Regulations and the Company Code of Ethics.

A trade union organisation has long been active at the Company, functioning as an independent body supervising employment relationships and fulfilment of the obligations which the Company has towards its employees, and it enjoys the trust of employees and Company management alike. Representatives of the trade union organisation discuss input from employees with Company management on a regular basis and in a constructive manner and Company management discusses potential changes in the Company with union representatives. Together they deal with potential impacts on employees. Employee-related issues are regularly discussed at the Council for Social Dialogue, which is made up of representatives of the trade union, the board of directors and members appointed by the supervisory board.

The main outcome of the work of the trade union organisation at CETIN is the collective agreement, in which separate chapters deal with the following: Care for Employees, Social Policy and Social Fund, Remuneration and Occupational Health and Safety. Based on the collective agreement, the Company also provides, for example, a whole range of additional payments in amounts which are above standard when compared with the Labour Code. The collective agreement also establishes the right of employees to flexible benefits in the form of a cafeteria system, meal vouchers, etc.

Preventing discrimination at the Company is mainly dealt with in the Company Work Regulations, which state:

> *[The Employer is required mainly] not to permit any discrimination in labour relations against Employees on the grounds of race, skin colour, sex, sexual orientation, language, faith and religion, political or other disposition, membership of or activity in political parties or political movements, trade union organisations and other associations, nationality, ethnic or social background, wealth, family, medical condition, age, marital and family status or family obligation. Any conduct on the part of the Employer which does not discriminate directly but in its consequences, is also forbidden.*

In addition to the activities of the trade union organisation, the PPF Group Code of Ethics also helps ensure adherence to work regulations. This demands that all employees respect the laws in force and internal regulations at the Company, such as the collective agreement, the Organisation Regulations and the Work Regulations. The CETIN Corporate Compliance Internal Investigation internal guidelines follow on from the Code of Ethics. Among other things, this allows employees and third parties to file an anonymous charge if they suspect failure to adhere to the principles set out in the Code of Ethics.

One of the ways of ensuring open and direct communication between Company management and employees are personal meetings between members of the management and employees, held occasionally at different places in the Czech Republic, usually those where a larger number of CETIN employees have their regular workplace. Every employee can ask questions at such meetings without fear of possible recriminations by management. A member of the Board of Directors and a member of senior management always attend on behalf of Company management.

Key performance indicators and the results of measures applied

The aim of all the measures mentioned above, and the checking of these, is to ensure a safe, healthy and socially-responsible work environment and to create good, close relations between Company management and employees and among the employees based on mutual respect and adherence to the set rules. As we can see from the results achieved, the Company has been successful in achieving this objective.

The leading indicators of success are primarily indicators which show due care for employee protection, motivating employees and improving their professional qualifications, the efforts made by Company management to ensure dialogue and open communication with employees and promoting the Company Code of Ethics.

The year 2020 was in the sign of increased protection of employees, because of the coronavirus pandemic. CETIN was focused at raising awareness of compliance with hygiene rules and number of preventive measures was introduced to protect health of the employees. The employees who are at increased risk of infection because of their job and a character of workplace, but not only them, were equipped with additional personal protective tools. CETIN costs for purchase of this additional equipment was in the amount of CZK 24.5 million for 2020.

CETIN spent almost CZK 3.5 million in 2020 on additional payments for the upkeep of protective clothing and work equipment, a drinking regime and difficult work conditions, which is a year-on-year increase of 25 %. This increase was caused mainly by the higher number of employees in operations where protective equipment and work equipment are required.

The Company continually increases the budget for employee training.

It consistently applies an equal approach to employment, remuneration and career growth of its employees irrespective of gender, race or faith. 17 % of Company employees are women, who have a 13% representation in management positions. The average age of an employee is 47.

The main lagging indicators of the results of the measures put in place are the long-term low level of employee turnover, 5.2 % per annum, which is around a third of the average on the commercial company market in the Czech Republic, and the average length of employment, which is 13 years.

Another significant result is the long-term social cohesion that prevails at the Company. This cohesion is indicated by the number of labour conflicts or collective protests. In 2020 there was just a negligible number of letters of reprimand[1] issued by the Company for breach of work obligations. There was no immediate termination of employment relationship[2] with an employee for gross breach of regulations. There were also no labour disputes, collective protests or strikes by employees.

Significant events after the financial statements date

All material events occurring after the financial statements date are disclosed in Note 25 of the Notes on the Consolidated Financial Statements included herein.

[1] According to Section 52(g) of the Labour Code

[2] According to Section 55(1) of the Labour Code

Appendices

KPMG Česká republika Audit, s.r.o.
Pobřežní 1a
186 00 Praha 8
Czech Republic
+420 222 123 111
www.kpmg.cz

This document is an English translation of the Czech auditor's report.
Only the Czech version of the report is legally binding.

Independent Auditor's Report to the Shareholders of CETIN a.s.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of CETIN a.s. ("the Company") and its subsidiaries ("the Group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Group is set out in Note General information to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, consisting of International Standards on Auditing (ISAs), which may be supplemented and amended by relevant application guidelines. Our responsibilities under those regulations are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

In accordance with Section 2(b) of the Act on Auditors, other information is defined as information included in the consolidated annual report other than the standalone and the consolidated financial statements and our auditor's report. The statutory body is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone and the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable laws and regulations, in particular, whether the other information complies with laws and regulations in terms of formal requirements and the procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with those requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- the other information describing matters that are also presented in the standalone and the consolidated financial statements is, in all material respects, consistent with the standalone and the consolidated financial statements; and
- the other information has been prepared in accordance with applicable laws and regulations.

In addition, our responsibility is to report, based on the knowledge and understanding of the Group obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

Responsibilities of the Statutory Body and Supervisory Board for the Consolidated Financial Statements

The statutory body is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the statutory body determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the statutory body is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the statutory body either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Group's financial reporting process.

KPMG

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the above regulations will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the above regulations, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the statutory body.
- Conclude on the appropriateness of the statutory body's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Report on the Audit of Standalone the Financial Statements

Opinion

We have audited the accompanying standalone financial statements of CETIN a.s. ("the Company"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Company is set out in Note General information to the standalone financial statements.

In our opinion, the accompanying standalone financial statements give a true and fair view of the standalone financial position of the Company as at 31 December 2020, and of its standalone financial performance and its standalone cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, consisting of International Standards on Auditing (ISAs), which may be supplemented and amended by relevant application guidelines. Our responsibilities under those regulations are further described in the Auditor's Responsibilities for the Audit of the standalone Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Statutory Body and Supervisory Board for the Standalone Financial Statements

The statutory body is responsible for the preparation and fair presentation of the standalone financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the statutory body determines is necessary to enable the preparation of standalone financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, the statutory body is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the statutory body either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the above regulations will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

As part of an audit in accordance with the above regulations, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the statutory body.
- Conclude on the appropriateness of the statutory body's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

KPMG

Statutory Auditor Responsible for the Engagement

Martina Štegová is the statutory auditor responsible for the audit of the consolidated financial statements and standalone financial statements of CETIN a.s. as at 31 December 2020, based on which this independent auditor's report has been prepared.

Prague
3 March 2021

KPMG Česká republika Audit, s.r.o.
Registration number 71

Martina Štegová
Partner
Registration number 2082

Report on relations

between the controlling entity and the controlled entity and between the controlled entity and other entities controlled by the same controlling entity in 2020

The company CETIN a.s., with its registered office at Českomoravská 2510/19, Libeň, 190 00 Prague 9, identification number (IČO): 040 84 063, registered in the Commercial Register administered by the Municipal Court in Prague, file B 20623 (hereinafter the "**Company**" or "**CETIN**"), is required to prepare a report for the accounting period of 2020 on relations between the controlling entity and the Company and between the Company and other entities controlled by the same controlling entity in compliance with Section 82 et seq. of Act No. 90/2012 Coll., on Commercial Companies and Cooperatives (Business Corporations Act), as amended (hereinafter the "**Business Corporations Act**"; this report shall hereinafter be referred to as the "**Report on Related Party Transactions**").

Report on Related Party Transactions for the period of 1 January 2020 - 31 December 2020

Mr. Petr Kellner was a person with a share that allowed indirect full control of the Company for the entire accounting period of 2020. Mr. Petr Kellner held indirect share in the Company's voting rights through CETIN Group B.V. (till 30 June 2020 acting under business name PPF Infrastructure B.V.) and PPF A3 B.V., which acted in concert in relation to the Company and together owned shares associated with 100% of voting rights in the Company. The individual shares of companies CETIN Group B.V. and PPF A3 B.V. in the Company's voting rights did not vary in the course of the relevant accounting period.

1. Structure of relations between the controlling entity and the Company and between the Company and other companies controlled by the same controlling entity

The companies CETIN Group B.V. and PPF A3 B.V., through which Mr. Petr Kellner acts as the controlling entity of the Company, are part of the PPF Group.

The PPF Group has its corporate ownership and controlling structure located in the Netherlands. PPF Group N.V., with its registered office in Amsterdam, is the key holding company of the PPF Group; strategic decisions are adopted on this level, which affect the control of the PPF Group. Specific sub-holding structures are usually set up within the individual business/commercial areas, in which the PPF Group operates and which it considers strategic (banking, financial services, real estate management, telecommunications, biotechnology, and agriculture); these sub-holding structures address various matters relating to the relevant business/commercial area. Special-purpose vehicles (SPVs) are used within these structures, reflecting the special conditions existing within the PPF Group, particularly from the perspective of funding of their acquisitions or transaction history.

According to information provided by PPF a.s., an overview of entities directly or indirectly controlled by the same controlling entity, Mr. Petr Kellner, has been prepared, including other information about their structure. The overview is shown in Annex 1 to this Report on Related Party Transactions.

2. Role of the Company

The Company is a wholesale provider of infrastructure and other telecommunication services in the area of fixed and mobile telecommunication networks to providers of electronic communication services within the territory of the Czech Republic. Through its points of presence abroad, it also provides voice and data traffic transit services to international operators.

3. Methods and means of control

Mr. Petr Kellner was able to control the Company during the period under review due to the fact that he held indirectly majority of share of voting rights - through the aforementioned companies CETIN Group B.V. and PPF A3 B.V., which together owned 100% of shares of Company

The exercising of majority of the voting rights is the fundamental means of controlling the Company.

4. Overview of actions pursuant to Section 82(2)(d) of the Business Corporations Act

During the accounting period of 2020, the Company did not take any actions initiated by or in the interest of the controlling entity or companies it controls that would involve disposal of the Company's assets exceeding 10% of the Company's equity capital, as determined based on the latest financial statements.

Actions pursuant to Section 82(2)(d) of the Business Corporations Act after the end of the accounting period of 2020

From the end of the accounting period of calendar year 2020 to the issuance of this Report on Related Party Transactions, the Company did not take any actions initiated by or in the interest of the controlling entity or companies it controls that would involve disposal of the Company's assets exceeding 10% of the Company's equity capital, as determined based on the latest financial statements.

5. Overview of mutual contracts

The following contracts existed or were newly concluded by and between the Company and the controlling entity or companies controlled by the same controlling entity during the accounting period of 2020:

contracting party: **Art Office Gallery a.s.**

- Lease Contract, *description of performance:* lease of space for running the lines of coaxial cables fed between technological units and antennas and the lease of space for placing antennas and other distribution elements.
- Lease Contracts, *description of performance:* lease of space in technology rooms.

contracting party: **Bestsport, a.s.**

- Agreement on Providing the Documentation, Protection of Information and Prevention of their Abuse, *description of performance:* provision of Company's documentation and commitment to protect the contained confidential information
- Lease Contract, *description of performance:* lease of part of real estate with the purpose of installation of telecommunications devices.
- Lease Contract, *description of performance:* lease of part of real estate with the purpose of car parking.
- Contract on the Establishment of Servitude, *description of performance:* establishment, operation, maintenance and repair of underground telecommunication lines.

contracting party: **CETIN Bulgaria EAD**

- Licence Contract, *description of performance:* right to use the trademarks of the Company and determined domains.
- N2N Master Operational Service Agreement, *description of performance*: rendering particularly the IT services, including the services of webhosting.
- N2N Master Operational Service Agreement, *description of performance*: procurement of the IT services particularly.
- Personal Data Processing Agreement, *description of performance:* data processing related to the fulfilment of certain contracts executed with the contracting party.
- Adherence Agreement, *description of performance:* securing of protentional damage which may be caused by the contracting party to the CETIN by breach of obligations set forth in Implementation contract Enterprise Agreement under which the contracting party is entitled to use the third party products and services.

contracting party: **CETIN d.o.o. Beograd**

- Licence Contract, *description of performance:* right to use the trademarks of the Company and determined domains.
- N2N Master Operational Service Agreement, *description of performance*: rendering particularly the IT services, including the services of webhosting.
- N2N Master Operational Service Agreement, *description of performance*: procurement of the IT services particularly.
- Personal Data Processing Agreement, *description of performance:* data processing related to the fulfilment of certain contracts executed with the contracting party
- Adherence Agreement, *description of performance:* securing of protentional damage which may be caused by the contracting party to the CETIN by breach of obligations set forth in Implementation

contract Enterprise Agreement under which the contracting party is entitled to use the third party products and services.

- International Electronic Communications Services Master Agreement, *description of performance*: wholesale electronic communication services (lease of capacities in network of contracting party); this agreement was originally executed with Telenor d.o.o. Beograd and subsequently has been transferred to the contracting party due to demerger of Telenor d.o.o. Beograd.

contracting party: **CETIN Finance B.V.**

- Programme Manual, *description of performance:* conditions related to issuance of corporate bonds issued by CETIN Finance B.V.
- Subscription Agreement in respect of CZK 3,000,000,000 and CZK 4,866,000,000 Notes (and the associated documentation), relevant banks, *description of performance:* conditions related to issuance of the CZK tranche of corporate bonds issued by CETIN Finance B.V.
- Subscription Agreement in respect of EUR 625,000,000 Notes (and the associated documentation), relevant banks, *description of performance:* conditions related to issuance of corporate bonds issued by CETIN Finance B.V.
- Intra-Group Multi-Currency Loan Agreement of Up To EUR 2,000,000,000 Equivalent (and the following Drawdown Terms), *description of performance*: conditions of the loan provided by CETIN Finance B.V. to the Company in various currencies up to the equivalent of EUR 2bn, due in 1 to 6 years.
- Dealer Agreement (and the associated documentation), *description of performance:* conditions related to issuance of corporate bonds issued by CETIN Finance B.V.
- Trust Deed (and the associated documentation), *description of performance:* conditions related to issuance of corporate bonds issued by CETIN Finance B.V.
- Issue and Paying Agency Agreement (and the associated documentation), *contracting parties include* PPF banka a.s., *description of performance:* conditions related to issuance of corporate bonds issued by CETIN Finance B.V.

contracting party: **CETIN Hungary Zrt.**

- Licence Contract, *description of performance:* right to use the trademarks of the Company and determined domains.
- N2N Master Operational Service Agreement, *description of performance*: rendering particularly the IT services, including the services of webhosting.
- N2N Master Operational Service Agreement, *description of performance*: procurement of the IT services particularly.
- Personal Data Processing Agreement*, description of performance:* data processing related to the fulfilment of certain contracts executed with the contracting party.
- Adherence Agreement, *description of performance:* securing of protentional damage which may be caused by the contracting party to the CETIN by breach of obligations set forth in Implementation contract Enterprise Agreement under which the contracting party is entitled to use the third party products and services.

contracting party: **CZECH TELECOM Austria GmbH in Liqu.**

- Contract on the Provision of Telecommunication Services, *description of performance:* telecommunication services.

contracting party: **CZECH TELECOM Germany GmbH i.L.**

- Contract on the Provision of Telecommunication Services, *description of performance:* telecommunication services.

contracting party: **Duoland s.r.o**

- Agreement on cooperation regarding the construction of the connection to the public telecommunication network, *description of the performance:* construction and commissioning of a communication connect enabling the contracting party to be connected to the public telecommunication network.

contracting party: **Gen Office Gallery a.s.**

- Lease Contracts, *description of performance:* lease of space in technology rooms.
- Lease Contract, *description of performance:* lease of space for running the lines of coaxial cables fed between technological units and antennas and the lease of space for placing antennas and other distribution elements.
- Contracts on the Establishment of Servitude, *description of performance:* establishment of servitude, consisting in the establishment, operation, maintenance and repair of underground communication lines of the public communication network on part of the land of the encumbered party.

contracting party: **Home Credit International a.s.**

- Framework Agreement on Reallocation of Software Costs, *description of performance:* frame terms and conditions for reallocation and payments of costs for granted rights to use the third parties software or maintenance of software rendered by third parties, whereas execution of special implementation contracts is required under this framework agreement.
- Agreement on Distribution of Licenses, *description of performance*: reallocation of costs for maintenance of the software by third party.

contracting party: **Kateřinská Office Building s.r.o.**

- Lease Contract, *description of performance:* lease of part of real estate with the purpose of installation of telecommunications devices.

contracting party: **MOBI BANKA AD BEOGRAD (NOVI BEOGRAD)**

- Adherence Agreement, *description of performance:* securing of protentional damage which may be caused by the contracting party to the CETIN by breach of obligations set forth in Implementation contract Enterprise Agreement under which the contracting party is entitled to use the third party products and services.

contracting party: **O2 Czech Republic a.s.**

- Mobile Network Services Agreement; *description of performance*: a contract on mobile network services which ensures access for O2 Czech Republic a.s. to the infrastructure and functionalities of the Radio Access Network mobile network on the part of Company and performance by Company consists in the operation and maintenance of the 2G, 3G, LTE and CDMA networks, consolidation of the 2G and 3G networks, development of the LTE network.
- Contract on Access to Terminal Sections; *description of performance*: data services according to a new reference offer terminated in regional capitals.
- Contract on Access to the Public Fixed Communication Network; *description of performance*: a contract based on a reference offer, the subject-matter of which is the provision of services involving connection to the network at a terminal point, access to a publicly-accessible telephone services and to broadband services in the Company fixed network.
- Personal Data Processing Contracts, *description of performance*: the processing of personal data associated with the performance of selected contracts entered into with contracting party.
- Contract on Connection of the CETIN Public Fixed Communication Network to the O2 Czech Republic a.s. Public Mobile Communication Network; *description of performance*: provision of electronic communication services and activities to subscribers connected to the networks of the contracting parties and to other users, the connection and maintenance of connection of infrastructures of their public communication networks.
- Service Agreement (+EU, TGR representation) Wholesale Roaming Services, *description of performance*: arrangement of discount contracts with roaming partners on behalf of contracting party.
- Data Centres Service Level Agreement, *description of performance*: lease of space in data centres owned by Company and providing other services related with placement and operation of technologies of contracting party and its customers.

- Contract on Collocation for Specific Locations, *description of performance*: provision of collocation space and physical collocation services in certain locations.
- Contract on the Provision of Carrier-type Services, *description of performance*: Carrier wholesale data services.
- Contracts on the Provision of Billing for Wholesale Services, *description of performance*: provision of billing for wholesale services for contracting party.
- Lease and Sublease Contracts, *description of performance*: lease or sublease of office, storage and other space, as well as movables.
- Contract on the Termination of International Voice Operation; *description of performance*: transit of international operation originating in the fixed and mobile network of contracting party, including operation originating in the O2 Slovakia, s.r.o. network.
- Contract on the Lease of Optical Fibres, *description of performance*: lease of optical fibres.
- Contract on the Provision of Technological Housing Services, *description of performance*: provision of space for placement of technological equipment required for business activities of contracting party and services directly related to the provision of space.
- Master Services Agreement on Signalling and GRX / IPX, *description of performance*: Company ensures SCCP and diameter signalling, GRX/S8 payload mobile data exchange.
- Master Agreement on the Terms and Conditions of the Provision of Mobile Electronic Communication Services; *description of performance*: contracting party provides CETIN with electronic communication services through mobile networks and supplies mobile telephones and accessories under the agreed terms and conditions.
- Contract on the Provision of Address Space; *description of performance*: mutual provision for use of address space (IP Address Space).
- Service Agreements, *description of performance:* maintenance of the communication infrastructure optical elements.
- Contract on the Provision of Archiving Services, Principles for Potential Division of Archives and Associated Cooperation, *description of performance:* archiving and access to archived documents within the central archives of contracting party pertaining to Company, under the separation project or relating to joint corporate history of both companies.
- Contract on the Supply of Migration Services; *description of performance:* migration of services from legacy technologies to new technical solutions.
- Contract on the Provision of Housing Services located at Prague - Hvězdova, *description of performance*: provision of space for placement of technological equipment required for business activities of Company and services directly related to the provision of space.
- Security Services Agreement, *description of performance:* provision of security services by Company.
- Agreement On Termination And Change Of Agreements Related To The Sale Of ÚTB; *description of performance*: agreement on early termination of lease in the ÚTB building and conditions for the removal of technologies of contracting party to a new location.
- Agreement on the Use of Test Lab – SELFLAB; *description of performance*: use of Company's test lab.
- Non-disclosure Agreements; *description of performance*: maintaining confidentiality regarding business proceedings of the parties.
- Agreement on Provision site Services and Maintenance; *description of performance:* provision of regular maintenance, revisions and repairs of infrastructure of contracting party located at Prague – Hvězdova.
- Contract on rendering of professional services of Data Science Centre, *description of performance:* rendering of professional services of implementation and development of procedures and algorithms for processing of huge amounts of data and their aggregation.

- Framework Agreement on services rendering, *description of performance:* services rendered by CETIN (installation and deinstallation of devices to service of Fixed Interned and eventually to service of O2 TV).
- Agreement on provision of DWDM capacity, *description of performance:* provision of DWDM services.
- Agreement on provision of supporting technical services regarding the exercise of cooperation with competent authorities required by law, *description of performance*: supporting technical services regarding the cooperation with competent authorities required by the law.
- Letter of Intent, *description of performance*: confirmation of intent of rendering of digital TV platform services and related rights and obligations of contracting parties.
- Framework agreement for supply of racks and equipment, *description of performance*: supply of racks and equipment including the accessories and installation.
- Agreement on common intent (Letter of Intent) regarding the hall nr. 5 in locality of DC JZM, *description of performance*: confirmation of intent of rendering services of data centres in hall nr. 5 of DC JZM and related rights and obligations of contracting parties.

contracting party: **O2 Family, s.r.o.**

- Lease Contract, *description of performance*: lease of space for business activities.

contracting party: **O2 IT Services s.r.o.**

- Lease and Sublease Contracts, *description of performance*: lease or sublease of office space from Company.
- Technical Service Specification of the Carrier Services, *description of performance*: data services.
- Agreement on provision of recommendation regarding the solution and setting of IT infrastructure, *description of performance*: provision of recommendation regarding the solution and setting of IT infrastructure.
- Agreement on ensuring the operation of infrastructure of internal certification authority, *description of performance*: ensuring the operation of infrastructure of internal certification authority.

contracting party: **O2 Slovakia, s.r.o.**

- Contract on the Provision of Billing for Wholesale Services, *description of performance*: provision of billing for wholesale services for contracting party.
- Contract on the Provision of Support Services; *description of performance*: the temporary provision of mutual support services.
- Contract on the Use of Optical Fibres, *description of performance*: exclusive use of optical fibres of contracting party by CETIN and regular maintenance.
- Purchase Contracts; *description of performance*: purchase/sale of assets from/to O2 Slovakia, s.r.o.
- Master Contract on the Commercial Lease of Movables[1]; *description of performance*: specification of general terms and conditions for the lease of movables specified in each partial contract; this contract passed to Company as of 1 June 2015; O2 Czech Republic a.s. is no longer a contracting party to this contract.
- Master Services Agreement (on Signalling GRX/IPX); *description of performance:* provision of roaming signalling services and roaming data exchange (2G/3G/4G) to O2 Slovakia, s.r.o.
- Service Agreement – Wholesale Roaming Services, *description of performance*: arrangement of discount contracts with roaming partners on behalf of O2 Slovakia s.r.o.
- Contract on the Provision of Carrier-type Services, *description of performance*: Carrier wholesale data services.
- Letter of Intent, *description of performance*: confirmation of intent of rendering of digital TV platform services and related rights and obligations of contracting parties.

[1] No performance has been provided pursuant to this contract by contracting parties in 2020.

contracting party: **PPF a.s.**

- Agreement on the Payment of Costs for Services within the scope of Personnel Activity, *description of performance:* consultancy and advising activities, searching of employees.
- Service Level Agreement, *description of performance:* consultancy services.
- Agreement on the Payment of Costs for arrange of protective means, *description of performance*: arrange of protective means.
- Personal Data Processing Contracts, *description of performance*: terms and conditions of parties regarding the data processing.

contracting party: **PPF banka a.s.**

- Master Contract on Payment and Banking Services, *description of performance*: the subject-matter of the contract is the opening of accounts in CZK, EUR and USD.
- Contract on an Internal Escrow Account no. E/2322290003, *description of performance:* financial services.
- Contract on an Internal Escrow Account no. 2322290003/2, *description of performance:* financial services.
- Master Contract on Trading on Financial Market (EMA), *description of performance:* financial services – financial market trading.
- Contract on Provision of Investment Services, *description of performance:* investment services – arrangement of trades (purchase or sell of investment instrument) and related services (settlement and administration).
- Agreement on Non-disclosure and Data Processing, *description of performance*: protection of mutually disclosed confidential information and right and obligations of the parties regarding the processing of personal data.

contracting party: **Public Picture & Marketing a.s.**

- Master Contract on the Provision of the Services of an Events Agency, *description of performance:* design, preparation and organisation of events and provision of advertising services for different target groups.
- Master Contract on the Provision or Intermediation of Travel Desk Services, *description of performance:* the contracting party provides the Company with a service package consisting of arranging booking of air tickets, accommodation, travel tickets, provision of visas, car rentals, reporting.
- Contracts on the Processing of Personal Data Relating to the Travel Desk Contract; *description of performance:* processing of personal data –CETIN once in the position of administrator and once in the position of processor.

contracting party: **STEL-INVEST s.r.o.**

- Agreement on Non-disclosure, *description of performance*: protection of mutually disclosed confidential information.
- Agreement on cooperation in public procurement, *description of performance:* rendering of performance to meet the criteria of qualification to public procurement proceeding and performance dedicated to perform the subject matter of public procurement.
- Framework agreement on transformers supplies, *description of performance:* supply and installation of transformers.
- Agreement on services of maintenance of localities, *description of performance:* maintenance of network and localities, provision of electrical revisions, maintenance of stationary generators and tanks.
- Framework agreement on maintenance services and revisions of transformer stations, *description of performance:* full maintenance and revision of transformer stations.

- Framework agreement on diesel generators repair, *description of performance:* repair of diesel generators.
- Contract on work, *description of performance:* repair of high-voltage wiring.
- Agreement on interim assignment of employee, *description of performance*: temporary assignment of employee of the contracting party to work for the Company.
- Agreement on provision of voluntary pecuniary additional payment beyond the base capital, *description of performance*: obligation of the Company as the sole shareholder of STEL-INVEST s.r.o. to provide voluntary pecuniary additional payment beyond the base capital.
- Contract on work, *description of performance*: repair of UPS modules in data centre used by Company.
- Framework agreement on acquisitions, design and building of internal cabling, *description of performance*: arrangement of acquisitions, design of internal cabling and building of internal cabling, all upon the orders of the Company.
- Framework agreement on supply and installation of equipment, *description of performance*: supply and installation of switchboards including accessories and documentation.

contracting party: **ŠKODA TRANSPORTATION a.s.**

- Lease Contract, *description of performance:* lease of part of real estate with the purpose of installation of telecommunications devices.

contracting party: **Telenor Bulgaria EAD**

- Adherence Agreement, *description of performance:* securing of protentional damage which may be caused by the contracting party to the CETIN by breach of obligations set forth in Implementation contract Enterprise Agreement under which the contracting party is entitled to use the third party products and services.
- Telecommunication Services Agreement, *description of performance:* contract on interconnection, voice termination to the network of contracting party and to other fix and mobile networks in Bulgaria, and transit of international outcoming calls from contracting party to worldwide destinations.
- Contract on rendering of professional services of Data Science Centre*, description of performance:* rendering of professional services of implementation and development of procedures and algorithms for processing of huge amounts of data and their aggregation.
- Agreement on Provision of Services and Cost Recharge, *description of performance:* procurement of the recommendation provided by third party in favour of contracting party and recharge of related costs.
- Service Agreement – Wholesale Roaming Services, *description of performance:* arrangement of discount contracts with roaming partners on behalf of contracting party.

contracting party: **Telenor d.o.o. Beograd**

- Adherence Agreement, *description of performance:* securing of protentional damage which may be caused by the contracting party to the CETIN by breach of obligations set forth in Implementation contract Enterprise Agreement under which the contracting party is entitled to use the third party products and services.
- Telecommunication Services Agreement, *description of performance:* contract on interconnection, voice termination to the network of contracting party and to other fix and mobile networks in Serbia, and transit of international outcoming calls from contracting party to worldwide destinations.
- Contract on rendering of professional services of Data Science Centre*, description of performance:* rendering of professional services of implementation and development of procedures and algorithms for processing of huge amounts of data and their aggregation.
- Agreement on Provision of Services and Cost Recharge, *description of performance:* procurement of the recommendation provided by third party in favour of contracting party and recharge of related costs.

- Personal Data Processing Agreement, *description of performance:* data processing related to the fulfilment of certain contracts executed with the contracting party.
- Letter of Intent, *description of performance:* confirmation of the intent of contracting party to be served with services of the digital TV platform and related rights and obligations of the contracting parties.
- Service Agreement – Wholesale Roaming Services, *description of performance:* arrangement of discount contracts with roaming partners on behalf of contracting party.
- International Electronic Communications Services Master Agreement, *description of performance*: wholesale electronic communication services (lease of capacities in network of contracting party); this agreement was originally executed with contracting party, however subsequently it has been transferred to the CETIN d.o.o. Beograd due to demerger of Telenor d.o.o. Beograd.

contracting party: **Telenor d.o.o. Podgorica**

- Adherence Agreement, *description of performance:* securing of protentional damage which may be caused by the contracting party to the CETIN by breach of obligations set forth in Implementation contract Enterprise Agreement under which the contracting party is entitled to use the third party products and services.
- Telecommunication Services Agreement, *description of performance:* contract on interconnection, voice termination to the network of contracting party and to other fix and mobile networks in Montenegro, and transit of international outcoming calls from contracting party to worldwide destinations.
- Service Agreement – Wholesale Roaming Services, *description of performance:* arrangement of discount contracts with roaming partners on behalf of contracting party.

contracting party: **Telenor Magyarország Zrt**.

- Adherence Agreement, *description of performance:* securing of protentional damage which may be caused by the contracting party to the CETIN by breach of obligations set forth in Implementation contract Enterprise Agreement under which the contracting party is entitled to use the third party products and services.
- Telecommunication Services Agreement, *description of performance:* transit of international outcoming calls from contracting party to worldwide destinations.
- Interconnect Agreement, *description of performance:* voice termination to the network of contracting party and to other fix and mobile networks in Hungary.
- Contract on rendering of professional services of Data Science Centre*, description of performance:* rendering of professional services of implementation and development of procedures and algorithms for processing of huge amounts of data and their aggregation.
- Agreement on Provision of Services and Cost Recharge, *description of performance:* procurement of the recommendation provided by third party in favour of contracting party and recharge of related costs.
- Personal Data Processing Agreement, *description of performance:* data processing related to the fulfilment of certain contracts executed with the contracting party.
- Letter of Intent, *description of performance:* confirmation of the intent of contracting party to be served with services of the digital TV platform and related rights and obligations of the contracting parties.
- Service Agreement – Wholesale Roaming Services, *description of performance:* arrangement of discount contracts with roaming partners on behalf of contracting party.

contracting party: **TV Nova s.r.o.**

- Agreement on Non-disclosure, *description of performance*: protection of mutually disclosed confidential information.

From the perspective of the controlled company, the performance based on the aforementioned contracts/agreements was invariably at a level corresponding in terms of price and quality to the services provided on the market by third parties or to third parties, as appropriate. Any other information from the said contracts/agreements cannot be disclosed due to the need to ensure trade secret and the agreed obligation to maintain confidentiality.

6. Assessment of potential loss incurred by the Company and assessment of its settlement pursuant to Sections 71 and 72 of the Business Corporations Act

Any and all contracts/agreements described in Section 5 of this Report on Related Party Transactions were concluded under the terms and conditions customary for standard commercial relations. Similarly, any provided and received performance based on such contracts/agreements took place under the terms and conditions customary for standard commercial relations, whereas the Company did not incur any loss in connection with these contracts.

7. Conclusion

The most significant events relevant to the Report on Related Party Transactions during the accounting period of 2020 was the distribution of 2019 profit to shareholders of the Company. Furthermore in the year 2020, the Company entered into the process of merger with its 100% subsidiary STEL-INVEST s.r.o.; the project of the transformation has been published in collection of documents of the commercial register on 30 December 2020. As a result of merger, the company STEL-INVEST s.r.o. will be dissolved and its actives fully merged to the Company. The merger will streamline the internal organization and improve processes which shall result in higher effectiveness.

The practice of consistent separation of the Company and its subsidiaries (in particular their commercial and management leadership and management) and other companies from the PPF Group from O2 Czech Republic a.s. continued during the accounting period of 2020. Therefore, there are no special relations among them which could negate the purpose of division and the independence arising therefrom. All relations are regulated by the relevant contracts, which have been and are entered into under the terms and conditions customary for standard commercial relations.

The Board of Directors of the Company hereby represents that, based on the evaluation of the role of the Company in relation to the controlling entity and to companies controlled by the same controlling entity, the Company has not enjoyed any special benefits or suffered any disadvantages or risks arising from relations between the Company and the controlling entity and/or companies controlled by the same controlling entity. The Company has not incurred any loss which should be settled according to Section 71 and Section 72 of the Business Corporations Act.

The Board of Directors of the Company hereby represents that it made reasonable effort in gathering and verifying information for the purpose of this Report on Related Party Transactions, whereas the conclusions at which it arrived were formulated following careful consideration. Moreover, to the best knowledge of the Board of Directors of the Company, all information presented in this Report on Related Party Transactions is accurate and complete.

In Prague, on 3 March 2021

CETIN a.s.

Annex no. 1 – List of companies directly or indirectly controlled by the same controlling person as of 31 December 2020

Controlling person: Ing. Petr Kellner

Business name	Identification / registration number	Country of registration	Method and means of control	Note	Interest via
AB 2 B.V.	57279667	The Netherlands	Company controlled by the same controlling entity by way of ownership interest	until 11 June 2020	Air Bank a.s.
AB 4 B.V.	34186049	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		Air Bank a.s.
AB 7 B.V.	57279241	The Netherlands	Company controlled by the same controlling entity by way of ownership interest	until 11 June 2020	Air Bank a.s.
AB STRUCTURED FUNDING 1 DESIGNATED ACTIVITY COMPANY	619700	Ireland	Company controlled by the same controlling entity by way of ownership interest		PPF Financial Holdings B.V.
ABDE Holding s.r.o. v likvidaci	02973081	Czech Republic	Company controlled by the same controlling entity by way of ownership interest	until 3 September 2020	Home Credit Group B.V
AB-X Projekt GmbH	HRB 247124	The Federal Republic of Germany	Company controlled by the same controlling entity by way of ownership interest		Home Credit Group B.V.
Accord Research, s.r.o. v likvidaci	29048974	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		PPF Capital Partners Fund B.V.
AF Airfueling s.r.o.	02223953	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		Prague Entertainment Group B.V.
Air Bank a.s.	29045371	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		Home Credit N.V.
ANTHEMONA LIMITED	HE 289 677	Republic of Cyprus	Company controlled by the same controlling entity by way of ownership interest		Comcity Office Holding B.V.
Art Office Gallery a.s.	24209627	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		Office Star Eight a.s.

Business name	Identification / registration number	Country of registration	Method and means of control	Note	Interest via
ASTAVEDO LIMITED	HE 316 792	Republic of Cyprus	Company controlled by the same controlling entity by way of ownership interest		Home Credit Group B.V.
B2S Servisní, a.s. v likvidaci	19013825	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		PPF CYPRUS MANAGEMENT LIMITED
Bammer trade a.s.	28522761	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		PPF IndustryCo B.V.
Bavella B.V.	52522911	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		PPF Group N.V.
Benxy s.r.o.	035 70 967	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		Air Bank a.s.
Bestsport holding a.s.	06613161	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		Prague Entertainment Group B.V.
Bestsport, a.s.	24214795	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		LINDUS SERVICES LIMITED
Bolt Start Up Development a.s.	04071336	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		O2 Czech Republic a.s.
BONAK a.s.	05098815	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		PPF a.s.
Boryspil Project Management Ltd.	34999054	Ukraine	Company controlled by the same controlling entity by way of ownership interest		Pharma Consulting Group Ltd.
BTV Media Group EAD	130081393	Republic of Bulgaria	Company controlled by the same controlling entity by way of ownership interest	since 13 October 2020	CME Bulgaria B.V.
Capellalaan (Hoofddorp) B.V.	58391312	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		Seven Assets Holding B.V.

Business name	Identification / registration number	Country of registration	Method and means of control	Note	Interest via
Carolia Westminster Hotel Limited	9331282	United Kingdom of Great Britain and Northern Ireland	Company controlled by the same controlling entity acting in concert by way of ownership interest		CW Investor S.á.r.l.
Central European Media Enterprises Ltd.	19574	Bermuda	Company controlled by the same controlling entity by way of ownership interest	since 13 October 2020	TV Bidco B.V.
CETIN a.s.	040 84 063	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		CETIN Group B.V. (formerly PPF Infrastructure B.V.), PPF A3 B.V.
CETIN Bulgaria EAD	206149191	Republic of Bulgaria	Company controlled by the same controlling entity by way of ownership interest	since 1July 2020	PPF TMT Bidco 1 Infra B.V.
CETIN d.o.o. Beograd - Novi Beograd	21594105	Republic of Serbia	Company controlled by the same controlling entity by way of ownership interest	since 1July 2020	PPF TMT Bidco 1 Infra B.V.
CETIN Finance B.V.	66805589	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		CETIN a.s.
CETIN Group B.V. (formerly PPF Infrastructure B.V.)	65167899	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		PPF Telecom Group B.V.
CETIN Hungary Zártkörűen Működő Részvénytársaság	13-10-042052	Hungary	Company controlled by the same controlling entity by way of ownership interest	since 14 May 2020	TMT Hungary Infra B.V.
CETIN služby s.r.o.	06095577	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		CETIN a.s.
CIAS HOLDING a.s.	273 99 052	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		PPF IndustryCo B.V.
CITY TOWER Holding a.s.	02650665	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		PPF Real Estate Holding B.V.
CME Bulgaria B.V.	34385990	The Netherlands	Company controlled by the same controlling entity by way of ownership interest	since 13 October 2020	CME Media Enterprises B.V.

Business name	Identification / registration number	Country of registration	Method and means of control	Note	Interest via
CME Investments B.V.	33289326	The Netherlands	Company controlled by the same controlling entity by way of ownership interest	since 13 October 2020	CME Media Enterprises B.V.
CME Media Enterprises B.V.	33246826	The Netherlands	Company controlled by the same controlling entity by way of ownership interest	since 13 October 2020	TV Bidco B.V.
CME Media Enterprises Limited	49774	Bermuda	Company controlled by the same controlling entity by way of ownership interest	since 13 October 2020	Central European Media Enterprises Ltd.
CME Media Services Limited	6847543	United Kingdom of Great Britain and Northern Ireland	Company controlled by the same controlling entity by way of ownership interest	since 13 October 2020	CME Media Enterprises B.V.
CME Programming B.V.	33020125	The Netherlands	Company controlled by the same controlling entity by way of ownership interest	since 13 October 2020	CME Media Enterprises B.V.
CME Services s.r.o.	29018412	Czech Republic	Company controlled by the same controlling entity by way of ownership interest	since 13 October 2020	CME Media Enterprises B.V.
CME Slovak Holdings B.V.	34274606	The Netherlands	Company controlled by the same controlling entity by way of ownership interest	since 13 October 2020	TV Nova s.r.o.
Comcity Office Holding B.V.	64411761	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		PPF Real Estate Holding B.V.
Culture Trip (Israel) Ltd.	515308609	State of Israel	Company controlled by the same controlling entity by way of ownership interest	since 28 August 2020	The Culture Trip Ltd
CW Investor S.á.r.l.	B211446	Grand Duchy of Luxembourg	Company controlled by the same controlling entity acting in concert by way of ownership interest		Westminster JV a.s.
Cytune Pharma AG (formerly SOTIO Biotech AG)	CHE-354.429.802	Swiss Confederation	Company controlled by the same controlling entity by way of ownership interest		Cytune Pharma B.V.
Cytune Pharma B.V.	80316557	The Netherlands	Company controlled by the same controlling entity by way of ownership interest	since 15 September 2020	PPF Capital Partners Fund B.V.

Business name	Identification / registration number	Country of registration	Method and means of control	Note	Interest via
Cytune Pharma SAS	500998703	French Republic	Company controlled by the same controlling entity by way of ownership interest		Cytune Pharma B.V.
Czech Equestrian Team a.s.	019 52 684	Czech Republic	Company controlled by the same controlling entity acting in concert by way of ownership interest		SUNDOWN FARMS LIMITED
CZECH TELECOM Austria GmbH in Liqu	229578s	Republic of Austria	Company controlled by the same controlling entity by way of ownership interest	until 16 December 2020	CETIN a.s.
CZECH TELECOM Germany GmbH i.L.	HRB 51503	The Federal Republic of Germany	Company controlled by the same controlling entity by way of ownership interest		CETIN a.s.
CzechToll s.r.o.	06315160	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		PPF a.s.
D - Toll Holding GmbH	HRB 191929	The Federal Republic of Germany	Company controlled by the same controlling entity by way of ownership interest		PPF IndustryCo B.V.
De Reling (Dronten) B.V.	58164235	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		Seven Assets Holding B.V.
DEVEDIACO ENTERPRISES LIMITED	HE 372136	Republic of Cyprus	Company controlled by the same controlling entity by way of ownership interest		TELISTAN LIMITED
DRAK INVESTMENT HOLDING LTD	324472	Cayman Islands	Company controlled by the same controlling entity by way of ownership interest		GONDRA HOLDINGS LTD
Duoland s.r.o.	06179410	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		Prague Entertainment Group B.V.
Eastern Properties B.V.	58756566	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		PPF Real Estate Holding B.V.
eKasa s.r.o.	050 89 131	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		O2 Czech Republic a.s.

Business name	Identification / registration number	Country of registration	Method and means of control	Note	Interest via
ELTHYSIA LIMITED	HE 290 356	Republic of Cyprus	Company controlled by the same controlling entity by way of ownership interest		PPF Real Estate Holding B.V.
Emeldi Technologies, s.r.o.	25663232	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		O2 Czech Republic a.s.
ENADOCO LIMITED	HE 316 486	Republic of Cyprus	Company controlled by the same controlling entity by way of ownership interest		Home Credit Group B.V.
Erable B.V. (formerly PPF Beer Holdco 1 B.V.)	67330495	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		PPF Group N.V.
ESK Developments Limited	1611159	Virgin Islands	Company controlled by the same controlling entity by way of ownership interest	since 20 August 2020	Chelton Properties Limited
ETO LICENSING LIMITED	HE 179 386	Republic of Cyprus	Company controlled by the same controlling entity by way of ownership interest	until 1 February 2020	FACIPERO INVESTMENTS LIMITED
EusebiusBS (Arnhem) B.V.	58169778	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		Seven Assets Holding B.V.
FACIPERO INVESTMENTS LIMITED	HE 232 483	Republic of Cyprus	Company controlled by the same controlling entity by way of ownership interest		PPF Group N.V.
Favour Ocean Limited	1065678	People's Republic of China	Company controlled by the same controlling entity by way of ownership interest		Home Credit N.V.
FELISTON ENTERPRISES LIMITED	HE 152674	Republic of Cyprus	Company controlled by the same controlling entity by way of ownership interest		SALEMONTO LIMITED
Filcommerce Holdings, Inc	CS 201 310 129	Republic of the Philippines	Company controlled by the same controlling entity by way of ownership interest		HC Philippines Holding B.V.
FLOGESCO LIMITED	HE 172588	Republic of Cyprus	Company controlled by the same controlling entity by way of ownership interest		Gilbey Holdings Limited

Business name	Identification / registration number	Country of registration	Method and means of control	Note	Interest via
FO Management s.r.o.	06754295	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		PPF FO Management B.V.
FO servis s.r.o.	08446407	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		PPF FO Management B.V.
Fodina B.V.	59400676	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		PPF Group N.V.
Forward leasing LLP	190740032911	Republic of Kazakhstan	Company controlled by the same controlling entity by way of ownership interest		Vsegda Da N.V., LLC Forward leasing
FOSOL ENTERPRISES LIMITED	HE 372077	Republic of Cyprus	Company controlled by the same controlling entity by way of ownership interest		DEVEDIACO ENTERPRISES LIMITED
GABELLI CONSULTANCY LIMITED	HE 160 589	Republic of Cyprus	Company controlled by the same controlling entity by way of ownership interest		VELTHEMIA LIMITED
Ganz-Skoda Electric Zrt.	110045500	Hungary	Company controlled by the same controlling entity by way of ownership interest		ŠKODA TRANSPORTATION a.s.
Gen Office Gallery a.s.	24209881	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		Office Star Eight a.s.
German Properties B.V.	61008664	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		PPF Real Estate Holding B.V.
GILBEY HOLDINGS LIMITED	HE182860	Republic of Cyprus	Company controlled by the same controlling entity by way of ownership interest		PPF Real Estate Holding B.V.
GONDRA HOLDINGS LTD	324452	Cayman Islands	Company controlled by the same controlling entity by way of ownership interest		Salonica Holding Limited
Grandview Resources Corp.	1664098	Virgin Islands	Company controlled by the same controlling entity by way of ownership interest		Bavella B.V.

Business name	Identification / registration number	Country of registration	Method and means of control	Note	Interest via
Guangdong Home Credit Number Two Information Consulting Co., Ltd	76732894-1	People's Republic of China	Company controlled by the same controlling entity by way of ownership interest		Home Credit Asia Limited
HC Asia B.V.	34253829	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		Home Credit N.V.
HC Broker, s.r.o. v likvidaci	29196540	Czech Republic	Company controlled by the same controlling entity by way of ownership interest	until 11 September 2020	Home Credit a.s.
HC Consumer Finance Philippines, Inc	CS201301354	Republic of the Philippines	Company controlled by the same controlling entity by way of ownership interest		HC Philippines Holding B.V.
HC Finance USA LLC	7241255	United States of America	Company controlled by the same controlling entity by way of ownership interest		Home Credit US Holding, LLC
HC ITS s.r.o. v likvidaci	08803251	Czech Republic	Company controlled by the same controlling entity by way of ownership interest	since 1 January 2020	Home Credit Group B.V.
HC Philippines Holding B.V.	35024270	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		HC Asia B.V.
HCPH Financing I. Inc	CS201727565	Republic of the Philippines	Company controlled by the same controlling entity by way of ownership interest		HC Philippines Holding B.V.
HCPH INSURANCE BROKERAGE, INC.	CS201812176	Republic of the Philippines	Company controlled by the same controlling entity by way of ownership interest		HC Philippines Holding B.V.
Hofplein Offices (Rotterdam) B.V.	64398064	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		Seven Assets Holding B.V.
Home Credit a.s.	26978636	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		Home Credit International a.s.
Home Credit Asia Limited	890063	People's Republic of China	Company controlled by the same controlling entity by way of ownership interest		HC Asia B.V.

Business name	Identification / registration number	Country of registration	Method and means of control	Note	Interest via
Home Credit Consumer Finance Co., Ltd	91120116636067462 H	People's Republic of China	Company controlled by the same controlling entity by way of ownership interest		Home Credit N.V.
HOME CREDIT EUROPE PLC	7744459	United Kingdom of Great Britain and Northern Ireland	Company controlled by the same controlling entity by way of ownership interest	until 4 February 2020	PPF Group N.V.
Home Credit Group B.V.	69638284	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		PPF Financial Holdings B.V.
Home Credit India B.V.	52695255	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		HC Asia B.V.
HOME CREDIT INDIA FINANCE PRIVATE LIMITED	U65910HR1997PTC0 47448	Republic of India	Company controlled by the same controlling entity by way of ownership interest		Home Credit India B.V., Home Credit International a.s.
HOME CREDIT INDIA STRATEGIC ADVISORY SERVICES PRIVATE LIMITED	U7499HR2017FTC07 0364	Republic of India	Company controlled by the same controlling entity by way of ownership interest		Home Credit India B.V., Home Credit International a.s.
Home Credit Indonesia B.V.	52695557	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		HC Asia B.V.
Home Credit International a.s.	60192666	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		Home Credit N.V.
Home Credit N.V.	34126597	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		Home Credit Group B.V.
Home Credit Slovakia, a.s.	36234176	Slovak Republic	Company controlled by the same controlling entity by way of ownership interest		Home Credit N.V.
Home Credit US Holding, LLC	5467913	United States of America	Company controlled by the same controlling entity by way of ownership interest		Home Credit Group B.V.
Home Credit US, LLC	5482663	United States of America	Company controlled by the same controlling entity by way of ownership interest		Home Credit US Holding, LLC

Business name	Identification / registration number	Country of registration	Method and means of control	Note	Interest via
Home Credit Socialist Republic of Vietnam Finance Company Limited	307672788	Socialist Republic of Vietnam	Company controlled by the same controlling entity by way of ownership interest		Home Credit N.V.
HOPAR LIMITED	HE 188 923	Republic of Cyprus	Company controlled by the same controlling entity by way of ownership interest		PPF Real Estate Holding B.V.
Horse Arena s.r.o.	044 79 823	Czech Republic	Company controlled by the same controlling entity acting in concert by way of ownership interest		SUNDOWN FARMS LIMITED
Chelton Properties Limited	1441835	Virgin Islands	Company controlled by the same controlling entity by way of ownership interest		Ing. Petr Kellner
INTENS Corporation s.r.o.	28435575	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		Bolt Start Up Development a.s.
ITIS Holding a.s.	07961774	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		PPF a.s.
Izotrem Investments Limited	HE 192753	Republic of Cyprus	Company controlled by the same controlling entity by way of ownership interest		Gilbey Holdings Limited
JARVAN HOLDINGS LIMITED	HE 310 140	Republic of Cyprus	Company controlled by the same controlling entity by way of ownership interest		PPF Real Estate Holding B.V., PPF CYPRUS RE MANAGEMENT LIMITED
Johan H (Amsterdam) B.V.	58163239	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		Seven Assets Holding B.V.
Joint Stoct Company "Sibzavod Centre"	1035501017221	Russian Federation	Company controlled by the same controlling entity by way of ownership interest	until 17 September 2020	LLC Trust - Invest
Joint-Stock Company " Investments trust"	1037739865052	Russian Federation	Company controlled by the same controlling entity by way of ownership interest		Trilogy Park Holding B.V.
Joint-Stock Company "Intrust NN"	1065259035896	Russian Federation	Company controlled by the same controlling entity by way of ownership interest		Stinctum Holdings Limited

Business name	Identification / registration number	Country of registration	Method and means of control	Note	Interest via
Jokiaura Kakkonen Oy	2401050-2	Republic of Finland	Company controlled by the same controlling entity by way of ownership interest		PPF IndustryCo B.V.
Kanal A d.o.o.	5402662000	Republic of Slovenia	Company controlled by the same controlling entity by way of ownership interest	since 13 October 2020	PRO PLUS d.o.o.
Kateřinská Office Building s.r.o.	03495663	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		PPF Real Estate s.r.o.
Komodor LLC	32069917	Ukraine	Company controlled by the same controlling entity by way of ownership interest		West Logistics Park LLC
Langen Property B.V.	61012777	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		German Properties B.V.
Letiště Praha Letňany, s.r.o.	24678350	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		Prague Entertainment Group B.V.
Letňany Air Land s.r.o.	06138462	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		Prague Entertainment Group B.V.
Letňany Air Logistics s.r.o.	06138411	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		Prague Entertainment Group B.V.
Letňany eGate s.r.o.	06137628	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		Prague Entertainment Group B.V.
Letňany Park Gate s.r.o.	06138446	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		Prague Entertainment Group B.V.
LINDUS SERVICES LIMITED	HE 281 891	Republic of Cyprus	Company controlled by the same controlling entity by way of ownership interest		Bestsport holding a.s.
LLC "Gorod Molodogo Pokolenija"	1187746792914	Russian Federation	Company controlled by the same controlling entity by way of ownership interest		JARVAN HOLDINGSLIMITED

Business name	Identification / registration number	Country of registration	Method and means of control	Note	Interest via
LLC "KARTONTARA"	1197746247247	Russian Federation	Company controlled by the same controlling entity by way of ownership interest		JARVAN HOLDINGS LIMITED
LLC Alians R	1086627000635	Russian Federation	Company controlled by the same controlling entity by way of ownership interest		JONSA LIMITED
LLC Almondsey	1127747228190	Russian Federation	Company controlled by the same controlling entity by way of ownership interest		PPF Real Estate Holding B.V., LLC Charlie Com.
LLC BRAMA	1107746950431	Russian Federation	Company controlled by the same controlling entity by way of ownership interest		JARVAN HOLDINGS LIMITED
LLC Comcity Kotelnaya	5157746112959	Russian Federation	Company controlled by the same controlling entity by way of ownership interest		Comcity Office Holding B.V.
LLC EASTERN PROPERTIES RUSSIA	1137746929836	Russian Federation	Company controlled by the same controlling entity by way of ownership interest		Bavella B.V., GRANDVIEW RESOURCES CORP.
LLC ERKO	1044702180863	Russian Federation	Company controlled by the same controlling entity by way of ownership interest		LLC "Gorod Molodogo Pokolenija"
LLC Fantom	1053001163302	Russian Federation	Company controlled by the same controlling entity by way of ownership interest		PALEOS INDUSTRIES B.V., PPF Real Estate Holding B.V.
LLC Financial Innovations	1047796566223	Russian Federation	Company controlled by the same controlling entity by way of ownership interest		LLC Home Credit & Finance Bank
LLC Forward leasing	1157746587943	Russian Federation	Company controlled by the same controlling entity by way of ownership interest		Vsegda Da N.V.
LLC Home Credit & Finance Bank	1027700280937	Russian Federation	Company controlled by the same controlling entity by way of ownership interest		Home Credit N.V., Home Credit International a.s.
LLC Home Credit Insurance	1027739236018	Russian Federation	Company controlled by the same controlling entity by way of ownership interest		Home Credit N.V.

Business name	Identification / registration number	Country of registration	Method and means of control	Note	Interest via
LLC Charlie Com	1137746330336	Russian Federation	Company controlled by the same controlling entity by way of ownership interest		PPF Real Estate Holding B.V., LLC Almondsey
LLC In Vino	1052309138628	Russian Federation	Company controlled by the same controlling entity by way of ownership interest		Gracespring Limited
LLC ISK Klokovo	1127746186501	Russian Federation	Company controlled by the same controlling entity by way of ownership interest		STEPHOLD LIMITED
LLC K-Development	1077760004629	Russian Federation	Company controlled by the same controlling entity by way of ownership interest		JARVAN HOLDINGS LIMITED
LLC KEPS	1127746190604	Russian Federation	Company controlled by the same controlling entity by way of ownership interest		PALEOS INDUSTRIES B.V., PPF Real Estate Holding B.V.
LLC Kvartal Togliatti	1056320172567	Russian Federation	Company controlled by the same controlling entity by way of ownership interest		PALEOS INDUSTRIES B.V., PPF Real Estate Holding B.V.
LLC LB Voronezh	1133668033872	Russian Federation	Company controlled by the same controlling entity by way of ownership interest		LLC EASTERN PROPERTIES RUSSIA
LLC Logistics - A	1115048002156	Russian Federation	Company controlled by the same controlling entity by way of ownership interest		ELTHYSIA LIMITED, PPF CYPRUS RE MANAGEMENT LIMITED
LLC Logistika - Ufa	1150280069477	Russian Federation	Company controlled by the same controlling entity by way of ownership interest		PALEOS INDUSTRIES B.V., PPF Real Estate Holding B.V.
LLC MCC Kupi ne kopi	1027700280640	Russian Federation	Company controlled by the same controlling entity by way of ownership interest		Home Credit N.V.
LLC Mitino Sport City	1107746473383	Russian Federation	Company controlled by the same controlling entity by way of ownership interest	until 23 July 2020	MICROLIGHT TRADING LIMITED
LLC My Gym	5157746112915	Russian Federation	Company controlled by the same controlling entity by way of ownership interest		Comcity Office Holding B.V.

Business name	Identification / registration number	Country of registration	Method and means of control	Note	Interest via
LLC Oil Investments	1167746861677	Russian Federation	Company controlled by the same controlling entity by way of ownership interest		PALEOS INDUSTRIES B.V., PPF Real Estate Holding B.V.
LLC PPF Life Insurance	1027739031099	Russian Federation	Company controlled by the same controlling entity by way of ownership interest		PPF Group N.V.
LLC PPF Real Estate Russia	1057749557568	Russian Federation	Company controlled by the same controlling entity by way of ownership interest		PPF Real Estate Holding B.V.
LLC RAV Agro	1073667022879	Russian Federation	Company controlled by the same controlling entity by way of ownership interest		Bavella B.V., Grandview Resources Corp.
LLC RAV Agro Pro	1033600135557	Russian Federation	Company controlled by the same controlling entity by way of ownership interest		LLC RAV Agro, LLC RAV Molokoprodukt
LLC RAV Molokoprodukt	1083627001567	Russian Federation	Company controlled by the same controlling entity by way of ownership interest		LLC RAV Agro, Grandview Resources Corp., Bavella B.V.
LLC RAV Myasoproduct - Orel	1135749001684	Russian Federation	Company controlled by the same controlling entity by way of ownership interest		LLC RAV Agro
LLC RAV Niva Orel	1113668051090	Russian Federation	Company controlled by the same controlling entity by way of ownership interest		LLC RAV Agro
LLC Razvitie	1155009002609	Russian Federation	Company controlled by the same controlling entity by way of ownership interest		VELTHEMIA LIMITED
LLC Regional Real Estate	1137746217950	Russian Federation	Company controlled by the same controlling entity by way of ownership interest		PPF Real Estate Limited
LLC ROKO	5107746049329	Russian Federation	Company controlled by the same controlling entity by way of ownership interest		JONSA LIMITED
LLC Sibelectroprivod	1045400530922	Russian Federation	Company controlled by the same controlling entity by way of ownership interest		LOSITANTO LIMITED

Business name	Identification / registration number	Country of registration	Method and means of control	Note	Interest via
LLC Skladi 104	5009049271	Russian Federation	Company controlled by the same controlling entity by way of ownership interest		GABELLI CONSULTANCY LIMITED
LLC Skolkovo Gate	1137746214979	Russian Federation	Company controlled by the same controlling entity by way of ownership interest		Trigon II B.V.
LLC Sotio	1117746901502	Russian Federation	Company controlled by the same controlling entity by way of ownership interest		Sotio N.V.
LLC Sotio	EIN 35-2424961	United States of America	Company controlled by the same controlling entity by way of ownership interest		Sotio N.V.
LLC Spectrum	1097746356806	Russian Federation	Company controlled by the same controlling entity by way of ownership interest		PALEOS INDUSTRIES B.V., PPF Real Estate Holding B.V.
LLC Spetsializirovanniy zastroyschik " Delta Com"	1137746330358	Russian Federation	Company controlled by the same controlling entity by way of ownership interest		Comcity Office Holding B.V., ANTHEMONA LIMITED
LLC Stockmann StP Centre	1057811023830	Russian Federation	Company controlled by the same controlling entity by way of ownership interest		LLC Oil Investments
LLC Strata	7702765300	Russian Federation	Company controlled by the same controlling entity by way of ownership interest		VELTHEMIA LIMITED
LLC Street Retail	1207700449880	Russian Federation	Company controlled by the same controlling entity by way of ownership interest	since 9 December 2020	PPF Real Estate s.r.o., PPF Cyprus RE Management Limited
LLC Torgovij complex Lipetskiy	1074823001593	Russian Federation	Company controlled by the same controlling entity by way of ownership interest		JARVAN HOLDINGS LIMITED
LLC Trilogy (formerly LLC TGK Trilogy)	1155027001030	Russian Federation	Company controlled by the same controlling entity by way of ownership interest		Trilogy Park Holding B.V.
LLC Trilogy Services	1155027007398	Russian Federation	Company controlled by the same controlling entity by way of ownership interest		Trilogy Park Holding B.V.

Business name	Identification / registration number	Country of registration	Method and means of control	Note	Interest via
LLC Trust - Invest	1057746391306	Russian Federation	Company controlled by the same controlling entity by way of ownership interest	until 17 September 2020	JARVAN HOLDINGS LIMITED
LLC Urozhay	1063627011910	Russian Federation	Company controlled by the same controlling entity by way of ownership interest		LLC Yug
LLC Vagonmash	1117847029695	Russian Federation	Company controlled by the same controlling entity acting in concert by way of ownership interest	until 13 July 2020	ŠKODA TRANSPORTATION a.s.
LLC Vsegda Da	5177746179705	Russian Federation	Company controlled by the same controlling entity by way of ownership interest		Vsegda Da N.V., LLC Forward leasing
LLC Yug	1083627001567	Russian Federation	Company controlled by the same controlling entity by way of ownership interest		LLC LB Voronezh
LOSITANTO Ltd.	HE157131	Republic of Cyprus	Company controlled by the same controlling entity by way of ownership interest		SATACOTO Ltd.
LvZH (Rijswijk) B.V.	58163999	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		Seven Assets Holding B.V.
Maraflex s.r.o.	02415852	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		PPF Group N.V.
MARKÍZA - SLOVAKIA, spol s r.o.	31444873	Slovak Republic	Company controlled by the same controlling entity by way of ownership interest	since 13 October 2020	CME Slovak Holdings B.V.
MICROLIGHT TRADING LIMITED	HE 224 515	Republic of Cyprus	Company controlled by the same controlling entity by way of ownership interest		PPF Real Estate Holding B.V.
MIDDLECAP SEAL HOUSE LIMITED	11669616	United Kingdom of Great Britain and Northern Ireland	Company controlled by the same controlling entity acting in concert by way of ownership interest	since 23 June 2020	Seal House JV a.s.
Millennium Tower (Rotterdam) B.V.	56261330	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		Seven Assets Holding B.V.

Business name	Identification / registration number	Country of registration	Method and means of control	Note	Interest via
mluvii.com s.r.o.	27405354	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		Bolt Start Up Development a.s.
MOBI BANKA AD BEOGRAD (NOVI BEOGRAD)	17138669	Republic of Serbia	Company controlled by the same controlling entity by way of ownership interest		PPF Financial Holdings B.V.
Monheim Property B.V.	61012521	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		German Properties B.V.
Monchyplein (Den Haag) B.V.	58163603	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		Seven Assets Holding B.V.
Montería, spol. s r.o.	27901998	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		PPF FO Management B.V.
Moranda, a.s.	28171934	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		PPF Group N.V.
MP Holding 2 B.V.	69457018	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		DEVEDIACO ENTERPRISES LIMITED
My Air a.s.	05479070	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		Air Bank a.s.
Mystery Services s.r.o.	24768103	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		PPF a.s.
Naneva B.V.	67400639	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		PPF Group N.V.
NBWC Limited	1024143	Virgin Islands	Company controlled by the same controlling entity by way of ownership interest	since 20 August 2020	ESK Developments Limited
Net Gate s.r.o.	247 65 651	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		PPF a.s.

Business name	Identification / registration number	Country of registration	Method and means of control	Note	Interest via
O2 Business Services, a.s.	50087487	Slovak Republic	Company controlled by the same controlling entity by way of ownership interest		O2 Slovakia, s.r.o.
O2 Czech Republic a.s.	60193336	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		PPF Telco B.V., PPF A3 B.V., PPF CYPRUS MANAGEMENT LIMITED
O2 Family, s.r.o.	24215554	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		O2 Czech Republic a.s.
O2 Financial Services s.r.o.	05423716	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		O2 Czech Republic a.s.
O2 IT Services s.r.o.	02819678	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		O2 Czech Republic a.s.
O2 Slovakia, s.r.o.	35848863	Slovak Republic	Company controlled by the same controlling entity by way of ownership interest		O2 Czech Republic a.s.
O2 TV s.r.o.	03998380	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		O2 Czech Republic a.s.
Office Star Eight a.s.	27639177	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		PPF Real Estate s.r.o.
Office Star Nine, spol. s r. o.	27904385	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		PPF Real Estate Holding B.V.
One Westferry Circus S.a.r.l.	B175495	Grand Duchy of Luxembourg	Company controlled by the same controlling entity by way of ownership interest		PPR Real Estate s.r.o.
Paleos Industries B.V.	66846919	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		PPF Real Estate Holding B.V.
PALM Investments a.s.	09262601	Czech Republic	Company controlled by the same controlling entity by way of ownership interest	since 18 June 2020 until 30 September 2020	FO Management s.r.o., FO Servis s.r.o.

Business name	Identification / registration number	Country of registration	Method and means of control	Note	Interest via
Pars nova a.s.	25860038	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		ŠKODA TRANSPORTATION a.s.
Pharma Consulting Group Ltd.	34529634	Ukraine	Company controlled by the same controlling entity by way of ownership interest		HOPAR LIMITED, PPF CYPRUS RE MANAGEMENT LIMITED
Plaza Development SRL	22718444	Romania	Company controlled by the same controlling entity by way of ownership interest		PPF Real Estate s.r.o. , PPF CYPRUS MANAGEMENT LIMITED
POLL,s.r.o.	62967754	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		ŠKODA TRANSPORTATION a.s.
Pompenburg (Rotterdam) B.V.	58163506	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		Seven Assets Holding B.V.
POP TV d.o.o.	1381431000	Republic of Slovenia	Company controlled by the same controlling entity by way of ownership interest	since 13 October 2020	PRO PLUS d.o.o.
POTLAK LIMITED	HE362788	Republic of Cyprus	Company controlled by the same controlling entity by way of ownership interest		Ing. Petr Kellner
PPF a.s.	25099345	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		PPF Group N.V.
PPF A3 B.V.	61684201	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		PPF Group N.V.
PPF A4 B.V.	63365391	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		PPF Group N.V.
PPF Advisory (CR) a.s.	25792385	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		PPF Group N.V.
PPF ADVISORY (RUSSIA) LIMITED	HE 276 979	Republic of Cyprus	Company controlled by the same controlling entity by way of ownership interest		PPF Group N.V.

Business name	Identification / registration number	Country of registration	Method and means of control	Note	Interest via
PPF Advisory (UK) Limited	5539859	United Kingdom of Great Britain and Northern Ireland	Company controlled by the same controlling entity by way of ownership interest		PPF Group N.V.
PPF Art a.s.	63080672	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		PPF a.s.
PPF banka a.s.	47116129	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		PPF Financial Holdings B.V.
PPF Beer IM Holdco B.V.	67331378	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		PPF Real Estate Holding B.V.
PPF Capital Partners Fund B.V.	55003982	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		PPF Group N.V.
PPF CO 3 B.V.	34360935	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		PPF banka a.s.
PPF CYPRUS MANAGEMENT LIMITED	HE 224463	Republic of Cyprus	Company controlled by the same controlling entity by way of ownership interest		PPF Group N.V.
PPF CYPRUS RE MANAGEMENT LIMITED	HE 251 908	Republic of Cyprus	Company controlled by the same controlling entity by way of ownership interest		PPF Real Estate Holding B.V.
PPF Financial Consulting s.r.o.	24225657	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		PPF a.s.
PPF Financial Holdings B.V.	61880353	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		PPF Group N.V.
PPF Finco B.V.	77800117	The Netherlands	Company controlled by the same controlling entity by way of ownership interest	since 7 April 2020	PPF Group N.V.
PPF FO Management B.V.	34186296	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		Ing. Petr Kellner

Business name	Identification / registration number	Country of registration	Method and means of control	Note	Interest via
PPF FrenchCo SAS	888264744	French Republic	Company controlled by the same controlling entity by way of ownership interest	since 25 August 2020	PPF IndustryCo B.V.
PPF GATE a.s.	27654524	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		PPF Real Estate Holding B.V.
PPF Group N.V.	33264887	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		Ing. Petr Kellner, PPF Holdings B.V.
PPF Healthcare N.V.	34308251	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		PPF Group N.V.
PPF Holdings B.V.	34186294	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		Ing. Petr Kellner
PPF Holdings S.á r.l.	B 186335	Grand Duchy of Luxembourg	Company controlled by the same controlling entity by way of ownership interest	until 1 January 2020	Ing. Petr Kellner
PPF Industrial Holding B.V.	71500219	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		PPF Group N.V.
PPF IndustryCo B.V. (formerly PPF Beer Topholdco B.V.)	67420427	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		PPF Industrial Holding B.V.
PPF Real Estate Holding B.V.	34276162	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		PPF Group N.V.
PPF Real Estate I, Inc.	7705173	United States of America	Company controlled by the same controlling entity by way of ownership interest		PPF Real Estate s.r.o.
PPF REAL ESTATE LIMITED	HE 188 089	Republic of Cyprus	Company controlled by the same controlling entity by way of ownership interest		PPF Real Estate Holding B.V.
PPF Real Estate s.r.o.	27638987	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		PPF Real Estate Holding B.V., PPF CYPRUS RE MANAGEMENT LIMITED

Business name	Identification / registration number	Country of registration	Method and means of control	Note	Interest via
PPF reality a.s.	29030072	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		PPF Real Estate s.r.o.
PPF SECRETARIAL LTD	HE 340708	Republic of Cyprus	Company controlled by the same controlling entity by way of ownership interest		PPF CYPRUS MANAGEMENT LIMITED
PPF SERVICES LIMITED	HE 92432	Republic of Cyprus	Company controlled by the same controlling entity by way of ownership interest		PPF Group N.V.
PPF Telco B.V.	65167902	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		PPF Telecom Group B.V.
PPF Telecom Group B.V. (formerly PPF Arena 1 B.V.)	59009187	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		PPF TMT Holdco 2 B.V.
PPF TMT Bidco 1 B.V.	70498288	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		PPF Telecom Group B.V.
PPF TMT Bidco 1 Infra B.V.	81312776	The Netherlands	Company controlled by the same controlling entity by way of ownership interest	since 25 December 2020	PPF Telecom Group B.V.
PPF TMT Bidco 2 B.V (formerly PPF Beer Bidco B.V.)	67332722	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		PPF Group N.V.
PPF TMT Holdco 1 B.V.	70498261	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		PPF Group N.V.
PPF TMT Holdco 2 B.V.	70526214	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		PPF TMT Holdco 1 B.V.
Prague Entertainment Group B.V.	63600757	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		PPF Group N.V.
Pro Digital S.R.L.	1003600048028	Republic of Moldova	Company controlled by the same controlling entity by way of ownership interest	since 13 October 2020	CME Media Enterprises B.V.

Business name	Identification / registration number	Country of registration	Method and means of control	Note	Interest via
PRO PLUS d.o.o.	589508100	Republic of Slovenia	Company controlled by the same controlling entity by way of ownership interest	since 13 October 2020	CME Media Enterprises B.V.
Pro TV S.R.L.	J40/24578/1992	Romania	Company controlled by the same controlling entity by way of ownership interest	since 13 October 2020	CME Media Enterprises B.V.
PT Home Credit Indonesia	03.193.870.7-021.000	Republic of Indonesia	Company controlled by the same controlling entity by way of ownership interest		Home Credit Indonesia B.V.
Public Picture & Marketing a.s.	25667254	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		PPF a.s.
Qazbiz partners LLP	190740017254	Republic of Kazakhstan	Company controlled by the same controlling entity by way of ownership interest		Vsegda Da N.V., Forward leasing LLP (KZ)
Radiocompany C.J. OOD	131117650	Republic of Bulgaria	Company controlled by the same controlling entity by way of ownership interest	since 13 October 2020	Balkan Media Group AD
RC PROPERTIES S.R.L.	12663031	Romania	Company controlled by the same controlling entity by way of ownership interest		PPF Real Estate s.r.o.
Real Estate Russia B.V.	63458373	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		PPF Real Estate Holding B.V.
REDLIONE LTD	HE 178 059	Republic of Cyprus	Company controlled by the same controlling entity by way of ownership interest		Home Credit Group B.V.
REPIENO LIMITED	HE 282 866	Republic of Cyprus	Company controlled by the same controlling entity by way of ownership interest		PPF Real Estate Holding B.V.
RHASKOS FINANCE LIMITED	HE 316 591	Republic of Cyprus	Company controlled by the same controlling entity by way of ownership interest		Home Credit Group B.V.
RIXO s.r.o.	01487779	Czech Republic	Company controlled by the same controlling entity by way of ownership interest	until 26 February 2020	Home Credit Group B.V.

Business name	Identification / registration number	Country of registration	Method and means of control	Note	Interest via
Ruconfin B.V.	55391176	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		PPF banka a.s.
Saint World Limited	1065677	People's Republic of China	Company controlled by the same controlling entity by way of ownership interest		Home Credit Group B.V.
SALEMONTO LIMITED	HE 161 006	Republic of Cyprus	Company controlled by the same controlling entity by way of ownership interest		PPF Real Estate Holding B.V.
Salonica Holding Limited	1949492	Virgin Islands	Company controlled by the same controlling entity by way of ownership interest		Ing. Petr Kellner
SATACOTO Ltd.	HE 155018	Republic of Cyprus	Company controlled by the same controlling entity by way of ownership interest		PPF IndustryCo B.V.
SB JSC Bank Home Credit	513-1900-AO (UI)	Republic of Kazakhstan	Company controlled by the same controlling entity by way of ownership interest		LLC Home Credit & Finance Bank
SCI LA FORET	309844371	French Republic	Company controlled by the same controlling entity by way of ownership interest		Ing. Petr Kellner
Seal House JV a.s.	09170782	Czech Republic	Company controlled by the same controlling entity acting in concert by way of ownership interest	since 19 May 2020	PPF Real Estate s.r.o.
Selman Resources Limited	1005589	Virgin Islands	Company controlled by the same controlling entity by way of ownership interest	since 7 October 2020	SR Development Limited
SEPTUS HOLDING LIMITED	HE 316 585	Republic of Cyprus	Company controlled by the same controlling entity by way of ownership interest		Home Credit Group B.V.
Seven Assets Holding B.V.	58163050	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		PPF Real Estate Holding B.V.
Shanghai Culture Trip Information Technology Co, Ltd	91310106MA1FYK5N2J	People's Republic of China	Company controlled by the same controlling entity by way of ownership interest	since 28 August 2020	The Culture Trip Ltd

Business name	Identification / registration number	Country of registration	Method and means of control	Note	Interest via
Shenzhen Home Credit Number One Consulting Co., Ltd.	91440300664174257 K	People's Republic of China	Company controlled by the same controlling entity by way of ownership interest		Home Credit Asia Limited
Shenzhen Home Credit Xinchi Consulting Co., Ltd.	91440300796638527 A	People's Republic of China	Company controlled by the same controlling entity by way of ownership interest		Favour Ocean Limited
SIGURNO LIMITED	HE 172539	Republic of Cyprus	Company controlled by the same controlling entity by way of ownership interest		Gilbey Holdings Limited
Sichuan Home Credit Number Three Socioeconomic Consulting Co., Ltd.	90151010066046758 9T	People's Republic of China	Company controlled by the same controlling entity by way of ownership interest	until 20 October 2020	Home Credit Asia Limited
SILINE CONSULTING LIMITED	HE 281961	Republic of Cyprus	Company controlled by the same controlling entity by way of ownership interest		Celestial Holdings Group Limited
SKODA Transportation Deutschland GmbH	HRD 208 725	The Federal Republic of Germany	Company controlled by the same controlling entity by way of ownership interest		ŠKODA TRANSPORTATION a.s.
Smart home security s.r.o.	063 21 399	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		Bolt Start Up Development a.s.
SOTIO a.s.	24662623	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		Sotio N.V.
Sotio Medical Research (Beijing) Co. Ltd	110000410283022	People's Republic of China	Company controlled by the same controlling entity by way of ownership interest		Sotio N.V.
Sotio N.V.	34302290	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		PPF Group N.V.
SR Boats Limited	2016073	Virgin Islands	Company controlled by the same controlling entity by way of ownership interest	since 20 August 2020	SR Development Limited
SR Development Limited	1968975	Virgin Islands	Company controlled by the same controlling entity by way of ownership interest	since 20 August 2020	Chelton Properties Limited

Business name	Identification / registration number	Country of registration	Method and means of control	Note	Interest via
SR-R Limited	708998	Virgin Islands	Company controlled by the same controlling entity by way of ownership interest	since 20 August 2020	SR Development Limited
STEL-INVEST s.r.o.	262 38 365	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		CETIN a.s.
STEPHOLD LIMITED	HE 221 908	Republic of Cyprus	Company controlled by the same controlling entity by way of ownership interest		PPF Real Estate Holding B.V.
STINCTUM HOLDINGS LIMITED	HE 177 110	Republic of Cyprus	Company controlled by the same controlling entity by way of ownership interest		SALEMONTO LIMITED
SUNDOWN FARMS LIMITED	HE 310 721	Republic of Cyprus	Company controlled by the same controlling entity acting in concert by way of ownership interest		Vixon Resources Limited, Chelton Properties Limited
SYLANDER CAPITAL LIMITED	HE 316 597	Republic of Cyprus	Company controlled by the same controlling entity by way of ownership interest		Home Credit Group B.V.
ŠKODA CITY SERVICE s.r.o.	29119057	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		ŠKODA TRANSPORTATION a.s.
ŠKODA DIGITAL s.r.o.	01731530	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		ŠKODA TRANSPORTATION a.s.
ŠKODA ELECTRIC a.s.	477 18 579	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		ŠKODA TRANSPORTATION a.s.
ŠKODA ICT s.r.o.	279 94 902	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		ŠKODA INVESTMENT a.s.
ŠKODA INVESTMENT a.s.	265 02 399	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		PPF IndustryCo B.V.
ŠKODA RAIL s.r.o.	058 22 149	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		ŠKODA TRANSPORTATION a.s.

Business name	Identification / registration number	Country of registration	Method and means of control	Note	Interest via
ŠKODA SERVIS s.r.o.	263 51 277	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		ŠKODA INVESTMENT a.s.
ŠKODA TRANSPORTATION a.s.	626 23 753	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		PPF IndustryCo B.V.
ŠKODA TRANSPORTATION UKRAINE, LLC	42614252	Ukraine	Company controlled by the same controlling entity by way of ownership interest		ŠKODA TRANSPORTATION a.s.
Škoda Transportation USA, LLC	81-257769	United States of America	Company controlled by the same controlling entity by way of ownership interest		ŠKODA TRANSPORTATION a.s.
ŠKODA TRANSTECH OY	1098257-0	Republic of Finland	Company controlled by the same controlling entity by way of ownership interest		ŠKODA TRANSPORTATION a.s.
ŠKODA TVC s.r.o.	25247964	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		ŠKODA TRANSPORTATION a.s.
ŠKODA VAGONKA a.s.	258 70 637	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		ŠKODA TRANSPORTATION a.s.
TALPA ESTERO LIMITED	HE 316 502	Republic of Cyprus	Company controlled by the same controlling entity by way of ownership interest		Home Credit Group B.V.
TANAINA HOLDINGS LIMITED	HE 318 484	Republic of Cyprus	Company controlled by the same controlling entity by way of ownership interest		TOLESTO LIMITED
TANFORD LIMITED	HE 167 324	Republic of Cyprus	Company controlled by the same controlling entity by way of ownership interest	until 3 March 2020	Ing. Petr Kellner
Telematika a.s.	054 18 046	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		PPF a.s.
Telenor Bulgaria EAD	130460283	Republic of Bulgaria	Company controlled by the same controlling entity by way of ownership interest		PPF TMT Bidco 1 B.V.

Business name	Identification / registration number	Country of registration	Method and means of control	Note	Interest via
Telenor Common Operation Ztr.	13-10-041370	Hungary	Company controlled by the same controlling entity by way of ownership interest		PPF TMT Bidco 1 Infra B.V.
Telenor d.o.o. Beograd	20147229	Republic of Serbia	Company controlled by the same controlling entity by way of ownership interest		PPF TMT Bidco 1 B.V.
Telenor d.o.o. Podgorica	50017124	Montenegro	Company controlled by the same controlling entity by way of ownership interest		PPF TMT Bidco 1 B.V.
Telenor Magyarorzág Zrt.	13-10-040409	Hungary	Company controlled by the same controlling entity by way of ownership interest		TMT Hungary B.V.
Telenor Real Estate Hungary Ztr.	13-10-041060	Hungary	Company controlled by the same controlling entity by way of ownership interest		TMT Hungary B.V.
TELISTAN LIMITED	HE 341 864	Republic of Cyprus	Company controlled by the same controlling entity by way of ownership interest		Eastern Properties B.V.
Temsa Deutschland GmbH	DE256871263	The Federal Republic of Germany	Company controlled by the same controlling entity acting in concert by way of ownership interest	since 22 October 2020	Temsa Ulaşim Araçlari San.ve Tic. A.Ş.
TEMSA EGYPT for Bus Manufacturing & Engineering SAE	3028	Arab Republic of Egypt	Company controlled by the same controlling entity acting in concert by way of ownership interest	since 22 October 2020	Temsa Ulaşim Araçlari San.ve Tic. A.Ş.
Temsa North America, INC.	83-1118821	United States of America	Company controlled by the same controlling entity acting in concert by way of ownership interest	since 22 October 2020	Temsa Ulaşim Araçlari San.ve Tic. A.Ş.
Temsa Ulaşim Araçlari San.ve Tic. A.Ş.	8380046749	Republic of Turkey	Company controlled by the same controlling entity acting in concert by way of ownership interest	since 22 October 2020	PPF IndrustryCo B.V.
Tesco Mobile ČR s.r.o.	29147506	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		O2 Czech Republic a.s.
Tesco Mobile Slovakia, s.r.o.	36863521	Slovak Republic	Company controlled by the same controlling entity by way of ownership interest		O2 Slovakia, s. r. o.

Business name	Identification / registration number	Country of registration	Method and means of control	Note	Interest via
TFR SAS	FR 27 878443936	French Republic	Company controlled by the same controlling entity acting in concert by way of ownership interest	since 22 October 2020	Temsa Ulaşim Araçlari San.ve Tic. A.Ş.
The Culture Trip (USA) Ltd.	5908200	United States of America	Company controlled by the same controlling entity by way of ownership interest	since 28 August 2020	The Culture Trip Ltd
The Culture Trip Ltd	7539023	United Kingdom of Great Britain and Northern Ireland	Company controlled by the same controlling entity by way of ownership interest	since 28 August 2020	The Culture Trip Sarl.
The Culture Trip Sarl.	B220626	Grand Duchy of Luxembourg	Company controlled by the same controlling entity by way of ownership interest	since 28 August 2020	Vox Ventures B.V.
Tianjin Home Credit E-commerce Co., Ltd.	91120116MA075WF70G	People's Republic of China	Company controlled by the same controlling entity by way of ownership interest	since 28 October 2020	Shenzhen Home Credit Xinchi Consulting Co., Ltd.
TIMEWORTH HOLDINGS LTD.	HE 187 475	Republic of Cyprus	Company controlled by the same controlling entity by way of ownership interest		PPF Group N.V.
TMT Hungary B.V.	75752824	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		PPF TMT Bidco 1 B.V.
TMT Hungary Infra B.V.	81357397	The Netherlands	Company controlled by the same controlling entity by way of ownership interest	since 23 December 2020	PPF TMT Bidco 1 Infra B.V.
TOLESTO LIMITED	HE 322 834	Republic of Cyprus	Company controlled by the same controlling entity by way of ownership interest		PPF Real Estate Holding B.V., PPF CYPRUS RE MANAGEMENT LIMITED
TRADING RS Sp. z o.o.	NIP 7010213385	Republic of Poland	Company controlled by the same controlling entity by way of ownership interest		ŠKODA TRANSPORTATION a.s.
Trigon II B.V.	56068948	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		PPF Real Estate Holding B.V.
Trilogy Park Holding B.V.	60006609	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		PPF Real Estate Holding B.V.

Business name	Identification / registration number	Country of registration	Method and means of control	Note	Interest via
Trilogy Park Nizhny Novgorod Holding B.V.	67330355	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		PPF Real Estate Holding B.V.
TV Bermuda Ltd	55011	Bermuda	Company controlled by the same controlling entity by way of ownership interest	until 13 October 2020	TV Bidco B.V.
TV Bidco B.V.	75994437	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		TV Holdco B.V.
TV Holdco B.V.	75983613	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		PPF TMT Bidco 2 B.V.
TV Nova s.r.o.	45800456	Czech Republic	Company controlled by the same controlling entity by way of ownership interest	since 13 October 2020	CME Media Enterprises B.V.
Usconfin 1 DAC	619282	Ireland	Company controlled by the same controlling entity by way of ownership interest		PPF banka a.s.
VELTHEMIA LIMITED	HE 282 891	Republic of Cyprus	Company controlled by the same controlling entity by way of ownership interest		REPIENO LIMITED
Velvon GmbH	HRB 239796	The Federal Republic of Germany	Company controlled by the same controlling entity by way of ownership interest		AB-X Projekt GmbH
VGBC Limited	700080	Virgin Islands	Company controlled by the same controlling entity by way of ownership interest	since 28 August 2020	Chelton Properties Limited
VGMC Limited	709492	Virgin Islands	Company controlled by the same controlling entity by way of ownership interest	since 28 August 2020	ESK Developments Limited
Vixon Resources Limited	144 18 84	Virgin Islands	Company controlled by the same controlling entity acting in concert by way of ownership interest		Renáta Kellnerová
Vox Ventures B.V.	65879554	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		PPF Group N.V.

Business name	Identification / registration number	Country of registration	Method and means of control	Note	Interest via
Vsegda Da N.V.	52695689	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		Home Credit N.V., Forward leasing LLP (KZ)
VÚKV a.s.	452 74 100	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		PPF IndustryCo B.V.
Wagnerford Holdings Limited	HE 210154	Republic of Cyprus	Company controlled by the same controlling entity by way of ownership interest		MP Holding 2 B.V.
Wagnerford LLC	5087746372819	Russian Federation	Company controlled by the same controlling entity by way of ownership interest		Wagnerford Holdings Limited
West Hillside Limited	1582181	Virgin Islands	Company controlled by the same controlling entity by way of ownership interest	since 28 August 2020	Chelton Properties Limited
West Logistics Park LLC (WLP)	35093235	Ukraine	Company controlled by the same controlling entity by way of ownership interest		Izotrem Investments Limited
Westminster JV a.s.	5714354	Czech Republic	Company controlled by the same controlling entity acting in concert by way of ownership interest		PPF Real Estate s.r.o.
Wilhelminaplein (Rotterdam) B.V.	59494034	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		PPF Real Estate Holding B.V.

CETIN a.s.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (AS ADOPTED BY THE EU)

The consolidated financial statements were approved by the Board of Directors on 3 March 2021 and were signed on its behalf by:

Juraj Šedivý	**Filip Cába**
Chairman of the Board of Directors	Vice-chairman of the Board of Directors

CONTENT

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

		For the year ended	
In CZK million	**Note**	**31 December 2020**	**31 December 2019**
Revenues	5	18,881	19,168
Other income from non-telecommunication services		258	179
Expenses	6	(10,326)	(10,788)
Earnings before impairment loss, interest, tax, depreciation and amortization (*EBITDA*)		**8,813**	**8,559**
Depreciation and amortisation	9, 10, 11	(4,911)	(4,586)
Impairment loss	9, 11	(47)	(56)
Operating profit (*EBIT*)		**3,855**	**3,917**
Finance income	7	13	34
Finance costs	7	(705)	(475)
Profit before tax		3,163	3,476
Corporate income tax	8	(617)	(665)
Profit for the year		**2,546**	**2,811**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Translation differences		-	1
Cash flow hedges – effective portion of changes in fair value	22	(515)	(74)
Related deferred tax	17	98	14
Total other comprehensive income, net of tax		**(417)**	**(59)**
Total comprehensive income, net of tax		**2,129**	**2,752**
Profit attributable to:			
Equity holders of the Company		2,546	2,811
Total comprehensive income attributable to:			
Equity holders of the Company		2,129	2,752

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at	
In CZK million	**Note**	**31 December 2020**	**31 December 2019**
ASSETS			
Property, plant and equipment	9	48,204	48,629
Intangible assets	11	1,826	1,757
Goodwill	11	16	11
Right of use assets	10	4,920	5,120
Other assets	13	415	731
Non-current assets		**55,381**	**56,248**
Inventories	12	67	61
Receivables and other assets	13	3,686	4,011
Income tax receivable		1	1
Cash and cash equivalents	14	1,411	1,726
Current assets		**5,165**	**5,799**
Non-current assets held for sale	9	**-**	**15**
Total assets		**60,546**	**62,062**
EQUITY AND LIABILITIES			
Share capital	22	3,102	3,102
Reserves	22	88	505
Other funds	22	14,620	14,620
Retained earnings	22	2,567	2,816
Total equity		**20,377**	**21,043**
Long-term financial debts	16	4,844	20,694
Deferred tax liability	17	6,087	6,202
Non-current provisions for liabilities and charges	18	376	355
Lease liability	16	4,259	4,364
Non-current other liabilities	15	1,575	1,923
Non-current liabilities		**17,141**	**33,538**
Short-term financial debts	16	16,412	23
Trade and other payables	15	5,555	6,537
Lease liability	16	809	834
Income tax liability	8	136	10
Provisions for liabilities and charges	18	116	77
Current liabilities		**23,028**	**7,481**
Total liabilities		**40,169**	**41,019**
Total equity and liabilities		**60,546**	**62,062**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 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 year		-	-	-	-	2,546	2,546
Other comprehensive income		-	-	(417)	-	-	(417)
Total comprehensive income		**-**	**-**	**(417)**	**-**	**2,546**	**2,129**
Dividends paid	22	-	-	-	-	(2,794)	(2,794)
Other distribution and roundings		-	-	-	-	(1)	(1)
As at 31 December 2020		**3,102**	**(2)**	**90**	**14,620**	**2,567**	**20,377**

For the year ended 31 December 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 year		-	-	-	-	2,811	2,811
Other comprehensive income		-	1	(60)	-	-	(59)
Total comprehensive income		**-**	**1**	**(60)**	**-**	**2,811**	**2,752**
Dividends paid	22	-	-	-	-	(2,542)	(2,542)
Other distribution and roundings		-	-	-	-	(5)	(5)
As at 31 December 2019		**3,102**	**(2)**	**507**	**14,620**	**2,816**	**21,043**

CONSOLIDATED STATEMENT OF CASH FLOWS

In CZK million	Note	For the year ended 31 December 2020	31 December 2019
Profit for the year		2,546	2,811
Non-cash adjustments for:			
Depreciation and amortisation	9, 10, 11	4,911	4,586
Impairment loss	9, 11	47	56
Profit on sale of property, plant and equipment	9	(71)	(30)
Net finance costs/revenues	7	496	454
Foreign exchange gains/losses (net)	7	196	(13)
Other non-cash adjustments		(20)	52
Tax expense	8	617	665
Operating cash flow before working capital changes		**8,722**	**8,581**
Working capital adjustments:			
Change in trade and other receivables		792	(764)
Change in inventories		(6)	(5)
Change in trade and other payables		(1,025)	551
Change in provisions		21	(91)
Cash flows from operating activities		**8,504**	**8,272**
Interest received		13	16
Income tax paid	8	(509)	(706)
Net cash flow from operating activities		**8,008**	**7,582**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangibles		(4,363)	(3,775)
Proceeds from sales of property, plant and equipment and intangible assets		63	28
Investment in subsidiaries	24	(5)	(15)
Net cash used in investing activities		**(4,305)**	**(3,762)**
Cash flows from financing activities			
Interest paid related to bonds		(300)	(288)
Interest paid from lease liability		(153)	(150)
Interest paid other		-	(2)
Interest received from hedging derivative		37	30
Other finance charges received/paid		(63)	-
Cash collateral placed due to derivatives transactions	13	(99)	(169)
Dividends paid	22	(2,794)	(2,542)
Lease payments		(651)	(634)
Net cash used in financing activities		**(4,023)**	**(3,755)**
Net increase in cash and cash equivalents		**(320)**	**65**
Cash and cash equivalents at beginning of year	14	1,726	1,650
Effect of foreign exchange rate movements on cash and cash equivalents		5	11
Cash and cash equivalents at the year end	14	**1,411**	**1,726**

NOTES TO 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.

As at 1 January 2020 the Company changed its name from Česká telekomunikační infrastruktura a.s. to CETIN a.s.

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 Group as at 31 December 2020 is CETIN Group B.V. (part of the PPF Group). Further details are described in Note 22.

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 number of employees employed by the Group amounted in average to 2,172 in 2020 (2019: 2,117).

The financial statements contained herein are consolidated financial statements of the Group prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS).

The consolidated financial statements were approved for issue by the Company's Board of Directors on 3 March 2021.

2. BASIS OF PREPARATION

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. The policies have been consistently applied to all years presented, unless otherwise stated.

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. IFRS comprise standards and interpretations approved by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee.

The consolidated financial statements were prepared under the historical cost convention except for non-current assets held for sale (measured at lower of cost and fair value less cost to sell), financial derivatives and certain assets and liabilities acquired during business combinations which are measured at fair value as disclosed in the accounting policies below.

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

Use of estimates, assumptions and judgements

In preparing these consolidated financial statements in conformity with IFRS, 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 Group makes forward-looking estimates and assumptions. The resulting accounting estimates might be, by definition, different from the related actual results.

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

The estimates and assumptions that might have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next years are discussed below:

(1) Income taxes and deferred taxes

The Group estimates the liability for current income taxes and in consideration of the temporary differences also for the deferred tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business and the measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects to recover or settle the carrying amount of assets and liabilities. Where the final tax-non-deductible/non-taxable items are different from the amounts that were calculated, such differences will impact the current income and deferred tax provisions in the year in which such determination is made (see Note 8 and Note 17).

(2) Property, plant and equipment and intangible assets

The accounting treatment of investments in property, plant and equipment and intangible assets entails the use of estimates to determine the useful life for depreciation and amortization purposes and to assess fair value at their acquisition dates for assets acquired in business combinations.

Determining useful life requires making estimates in connection with future technological developments and alternative uses for assets. There is a significant element of judgment involved in making technological development assumptions, since the timing and scope of future technological advances are difficult to predict. Further details are described in Note 3c – Property, plant and equipmentand Note 3d – Intangible assets.

When an item of property, plant and equipment or an intangible asset is considered to be impaired, the impairment loss is recognized in profit or loss. The decision to recognize an impairment loss involves estimates of amount of the impairment, as well as analysis of the reasons for the potential loss. Furthermore, additional factors, such as technological obsolescence, the suspension of certain services and other circumstantial changes are taken into account.

The Group evaluates the performance of its cash-generating units regularly to identify potential impairments. Determining the recoverable amount of the cash-generating units also entails the use of assumptions and estimates and requires a significant element of judgment.

The Group assesses at the end of each reporting period whether there is any indication that an impairment loss recognised in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the Group estimates the recoverable amount where an impairment loss recognised in prior periods shall be subject to the reversal.

(3) Provisions and contingent liabilities

The Group's treatment of obligations with uncertain timing and amount depends on the management's estimation of the amount and timing of the obligation and probability of an outflow of resources embodying economic benefits that will be required to settle the obligation (both legal or constructive). A provision is recognised when the Group has a present obligation as a result of past events, it is probable that an outflow of resources to settle the obligation will be required and a reliable estimate of the amount of the obligation can be made (see Note 18). The Group recognizes provision for dismantling assets, which is part of the costs of the assets, which the Group is required to dismantle at the end of their useful lives. The change in the estimates is recorded to the related fixed assets.

Contingent liabilities are not recognised, but are disclosed in the note to the financial statements (Note 19), their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. Contingent liabilities are assessed continually to determine whether an outflow of resource embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the financial statements of the period in which the change in probability occurs.

(4) Receivables

Trade receivables are carried at original amount less loss allowance. The Group calculates loss allowances for receivables at the amount of expected credit losses over the life of the financial asset. Details regarding the determination of receivables impairment are stated in Note 3g – Financial assets.

(5) Mobile network services agreement

Amongst the most important contracts of the Group are Mobile network services agreement as described in Note 23. he Group evaluated this arrangement as a service contract according to the IFRIC 4 because fulfilment of the arrangement was not dependent on the use of a specified asset and the arrangement did not convey a right to use the asset. This assessment was also grandfathered to IFRS 16.

(6) Asset held for sale

The Group regularly revises its long term assets according to IFRS 5 to ensure correct presentation in the financial staments. The Group has to estimate the probability of sale, time prospectives of the sale and market value considering the costs of sale.

(7) Leasing

When measuring the lease liability, the incremental borrowing rate is applied. This incremental borrowing rate used for discounting of future lease payments is based on the current interest rate defined as reference rate adjusted by Group´s spread and further adjusted by lease specific adjustment.

The right of use assets are depreciated in accordance with the length of the lease contract and for the unlimited contracts (or contracts with prolongation option on the Group side) there was determined, based on the management assessment and plans and based on expected changes in technologies, the 7-year amortization period for the mobile network and 10-year amortization period for the fixed network. This is also in line with experience with the similar contracts concluded for the limited period.

3. SIGNIFICANT ACCOUNTING POLICIES

Adoption of new or revised IFRS standards and interpretations (includes standards and interpretations applicable to the Group)

While preparing the financial statements for the year ended 31 December 2020, the Group takes into account the amendment to IFRS 16 Leases - Rent Relief in connection with the COVID-19 pandemic. The impact of this amendment on the Group was insignificant. Although the Group records a significant number of leases, it did not receive any rent relief in connection with the COVID-19 pandemic.

New IFRS not effective as at 31 December 2020 (includes standards applicable to the Group)

At the date of preparation of the accompanying consolidated financial statements, the following IFRS had been published, but their application was not mandatory. The Group intends to adopt those standards when they become effective.

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
IAS 1 (amendment)	Classification of liabilities as short-term and long-term	1 January 2023
IAS 16 (amendment)	Property, plant and equipment - revenue before intended use	1 January 2022
IAS 37 (amendment)	Onerous contracts - the costs of fulfilling the contract	1 January 2022
Annual revision IFRS 2018 – 2020	Amendment to IFRS 9 Financial Instrument Amendment of illustrative examples to IFRS 16 Leases	1 January 2022

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

a) Basis of consolidation

Consolidation

The Group controls an entity when it is exposed to, 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. Subsidiaries are consolidated from the date on which control is transferred to the Group (date of acquisition) and are no longer consolidated from the date when the Group ceases to have control.

Intercompany transactions and balances among the Group companies are eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies for subsidiaries are changed, where necessary, to ensure consistency with the policies adopted by the Group and other companies within the Group.

Business Combination

A business combination is accounted for using the acquisition method. The consideration transferred in a business combination is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs are expensed when incurred. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group’s share of the identifiable net assets acquired is recorded as goodwill. The excess of the fair value of the Group´s share of the identifiable net assets acquired over the considerations transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree is recorded as gain in profit or loss on the acquisition date. For detail refer to Note 3d – Intangible assets.

b) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The Functional currency of the Company is the Czech crown (CZK). The consolidated financial statements are presented in Czech crowns (CZK), which is the Group’s presentation currency. The Functional currency of subsidiaries is their local currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges. Such balances of monetary items are translated at year-end exchange rates. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(iii) Group companies

Profit or loss of foreign entities are translated into the Group’s reporting currency at the average exchange rates for the year and their statements of financial position are translated at the exchange rates ruling on the balance sheet date. Exchange differences arising from the translation of the net investment in foreign entities and of borrowings and other currency instruments designated as hedges of such investments are taken to other comprehensive income.

When a foreign entity is sold, such exchange differences are recognised in profit or loss as part of the gain or loss on sale.

c) Property, plant and equipment

All property, plant and equipment are initially recorded at cost and, except for freehold land, are subsequently carried at its cost less any accumulated depreciation and accumulated impairment losses. Freehold land is subsequently stated at cost less any accumulated impairment charges.

Property, plant and equipment acquired in the business combination described in the General Information are stated at their acquisition costs (which are equal to their fair value at the effective date of the business combination) less accumulated depreciation and accumulated impairment charges.

Property, plant and equipment include all costs directly attributable to bringing the asset to working condition for its intended use. With respect to the construction of the network, this comprises every expenditure up to the customers' premises, including the cost of contractors, materials, direct labour costs and interest cost incurred during the course of construction. The costs also include the estimated costs of dismantling and removing the asset and restoring the site.

Subsequent costs are recognised as property, plant and equipment only if it is probable that future economic benefits associated with the item will flow to the Group and the cost can be measured reliably.

Repairs and maintenance costs are expensed as incurred.

Significant spare parts with the useful life longer than one year are recognized as property, plant and equipment.

Items of property, plant and equipment that are retired are not intended for sale and are not expected to create any future economic benefits or are otherwise disposed of, are eliminated from the consolidated statement of financial position, along with the corresponding accumulated depreciation. Any gain or loss arising from retirement or disposal is included in net operating income, i.e. net gain or loss is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Items of property, plant and equipment, excluding freehold land, are depreciated from the time they are available for use, using the straight-line method. Depreciation ceases at the earlier of the date the asset is either de-recognised or at the date the asset is classified as held for sale.

Depreciation does not cease, when the asset becomes temporarily idle or retired from active use, unless the asset is fully depreciated.

Estimated useful lives adopted in the consolidated financial statements are as follows:

	Years
Buildings and constructions	From 9 to 56
Ducts, cables and related plant	From 11 to 45
Communication technology and related equipment	From 1 to 36
Other fixed assets	From 1 to 11

Freehold land is not depreciated as it is deemed to have an indefinite life.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (refer to Note 3f – Impairment of assets).

d) Intangible assets

Intangible assets of the Group include computer software and valuable rights. Computer software mainly represents the external acquisition costs of the Group's information systems that are intended for use within the Group. Generally, costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. However, costs that are directly associated with identifiable and unique software products controlled by the Group and that have a probable economic benefit exceeding the cost beyond one year, are recognised as intangible assets. Computer software costs recognised as assets are amortised using the straight-line method over their useful lives, generally from three to nine years. Valuable rights are amortised according to period for which the Group is allowed to utilize the rights.

Intangible assets of the Group acquired in business combinations are stated at their acquisition costs (which are equal to their fair value at the date of acquisition) less accumulated amortisation and accumulated impairment charges and are amortised on a straight-line basis over their estimated useful lives.

Intangible assets with an indefinite useful life are not amortised. They are subject to the regular impairment reviews (see Note 11).

The Group reviews at least at the balance sheet date the useful lives of intangible assets that are not amortised to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate.

On the balance sheet date, carrying amounts, residual values and the useful lives of assets are reviewed, revised and if necessary prospectively amended and accounted for as a change in an accounting estimate.

Intangible assets that are no longer in use and no future economic benefits are expected or that are disposed of for any other reason are de-recognised from the consolidated statement of financial position together with the corresponding accumulated amortisation (for amortised assets only). All gains or losses arising in this respect are recognised in net operating income, i.e. net gain or loss is determined as the difference between net disposal proceeds, if any, and the carrying amount of the asset.

Intangible assets, with the exception of assets with an indefinite useful life, are amortised using the straight-line method from the time they are available for use. Amortisation ceases at the earlier of the date the asset is de-recognised, the date the asset is classified as having the indefinite useful life or the date the asset is classified as held for sale.

e) Non-current assets classified as held for sale

The Group classifies separately in the consolidated statement of financial position a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups), its sale is highly probable and sale is expected within one year.

The Group measures a non-current asset (or disposal group) classified as held for sale at the lower of its carrying amount and fair value less costs to sell.

The Group recognizes an impairment loss for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell and is accounted for as an impairment loss with impact on profit or loss of the relevant period.

From the moment the asset is classified as held for sale and eventually revalued, it ceases to be depreciated/amortised and is reviewed only from an impairment point of view.

Any gain from any subsequent increase in fair value less costs to sell, but not in excess of the cumulative impairment loss that has been recognized, is determined and is accounted for in profit or loss.

f) Impairment of assets

Property, plant and equipment and other assets, including intangible assets, are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable or at least on an annual basis for intangibles with an indefinite useful life and for intangibles not yet in use. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset’s net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level, for which there are separately identifiable cash inflows (cash-generating units).

Impairment losses are recognised in expenses when incurred. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset’s recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss in the period in which the reversal occurs.

The Group makes an assessment at least at each balance sheet date whether there is any indication that an impairment loss may no longer exist, may have decreased or may have increased. If any such indication exists, the Group estimates a recoverable amount of the assets and compares to the carrying value (net of the impairment allowance). In assessing whether there is any indication that the impairment loss recognised in the past may no longer exist, the Group considers both external and internal sources of information (asset's market value, changes expected in the market, including technological, economic or legal changes, market interest rates, significant changes with effect on the Group in the extent to which, or manner in which, the assets are used or are expected to be used, evidence available from internal reporting indicating economic performance of assets etc.). Where an estimate of recoverable amount is calculated, there is a number of management assumptions used.

g) Financial assets and liabilities

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

The initial recognition and subsequent measurement of financial instruments of the Group is based on new standard IFRS 9 Financial instrument – classification and measurement since 1 January 2018. The adoption of IFRS 9 has not had a significant effect on classification and measurement of financial assets and liabilities and the Group's related accounting policies are described below.

(i) Financial assets

According to IFRS 9, all financial assets are classified as measured at amortised cost, at fair value through other comprehensive income („FVOCI") or at fair value through profit and loss („FVTPL").

Except for trade receivables without a significant financing component, a financial asset is initially measured at fair value plus (for an item not at FVTPL category) transaction costs that are directly attributable to its acquisition. Subsequent measurement of individual categories of financial assets relevant to the Group is as follows.

<u>Financial assets measured at fair value though profit and loss</u>
These assets are subsequently measured at fair value and are included in current or non-current assets based on the period when they are settled. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

<u>Financial assets at amortised cost</u>
These financial assets are subsequently measured at amortised cost using the effective interest method and are included in current and non-current assets based on the period when they are settled. The amortised cost is reduced by impairment losses (see section B below). Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Equity investments at fair value through other comprehensive income
These financial assets are subsequently measured at fair value and are included in non-current assets. Dividends are recognised as income in profit or loss, other gains and losses are recognised in other comprehensive income and are never reclassified to profit or loss.

(ii) Impairment of financial assets

In accordance with IFRS 9, entities calculate the loss allowance for financial assets as equal to the 12-month expected credit losses or equal to the expected credit losses over the life of the financial assets.

The Group calculates loss allowances for receivables and contract assets at the amount of expected credit losses over the life of the financial asset. For cash and cash equivalents and loans provided, the Group calculates loss allowances equal to the 12-month expected credit losses unless there has been a significant increase in the credit risk since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group compares the default risk of a financial instrument at the balance sheet date with the risk at the date of initial recognition and considers reasonable and supportable information that is relevant and available without undue cost or effort and that indicates a significant increase in the credit risk. The assessment is mainly based on the Group's historical experience, available information and market analyses, including actual macroeconomic indicators and future forecasts.

(iii) Financial liabilities

Financial liabilities are classified as measured at amortised cost or at fair value though profit and loss („FVTPL“).

A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. These financial liabilities are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss.

Other financial liabilities are recognised initially as the proceeds received, net of transaction costs incurred. In subsequent periods, they are stated at amortised cost using the effective interest rate method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the related period.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to settle the liability for at least 12 months after the balance sheet date.

Borrowing costs on debts used to finance the acquisition and construction of qualifying assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use. Other interest costs are recognised directly in profit and loss.

(iv) Derecognition of financial instruments

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The write off is recognized when the Group considers that there are no realistic prospects of recovery of the asset or when the Group`s legal right to such asset has ceased to exist. Even if the Group expects no significant recovery from the amount written off, the financial asset still could be subject to enforcement activities in order to comply with the Group's terms and conditions. The losses from write-offs are recognized in the position Impairment loss on financial assets.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The potential difference between the carrying amount extinguished and the consideration paid is recognised in profit or loss.

(v) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously. Legally enforceable right can not be dependent on future events and it has to be executable in ordinary business and also in case of failure, insolvency or bankruptcy of the Group or a counterparty.

Amounts receivable from and payable to other domestic and foreign operators related to transit are netted and settled net on a regular basis.

h) Leases

As of 1 January 1 2019 The Group applies standard IFRS 16, which specified how to recognize, measure, present and disclose leases. The standard provided a single lessee accounting model, requiring lessees to recognize assets and liabilities for all major leases.

The Group's accounting policy under IFRS 16 is as follows:

As a lessee:

At inception of a contract, the Group assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group does not recognise right of use assets and liabilities for leases of low-value assets (copy machines, other office equipment). Further excludes initial direct costs from the measurement of the right of use assets at the date of initial application and applies a single discount rate to a portfolio of leases with reasonably similar characteristics.

The Group recognizes a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The assets are depreciated to the earlier of the end of the useful life of the right of use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Group is reasonably certain to exercise that option. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group’s incremental borrowing rate.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group’s estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

The lease payments associated with the low-value assets leases is recognized as an expense on a straight-line basis over the lease term. The Group has decided to recognize lease and non-lease components separately.

As a lessor:

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is finance lease. If not, then it is operating lease.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of ‘other revenue’.

i) Inventories

Inventory is stated at the lower of cost or net realisable value. Costs of inventories include the purchase price and related costs of acquisition (transport, customs duties and insurance). The cost of inventory is determined using weighted average cost. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

j) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities section of the consolidated statement of financial position.

k) Current and deferred income taxes

Taxation expense represents both current and deferred taxation, where appropriate.

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws, used to compute the amount are those that are enacted or substantively enacted by the balance sheet date in the relevant country.

Income tax relating to items recognised directly in other comprehensive income is recognised in other comprehensive income and not in profit or loss.

Deferred income taxation is calculated using the liability method applied to all temporary differences arising between the tax basis of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates and laws expected to apply when the asset is realised or the liability is settled are used to determine the deferred income tax.

The principal temporary differences arise from differences in the tax and accounting values of property, plant and equipment, impairment of receivables and allowance for obsolete and slow moving inventories, non-tax deductible allowances and provisions, unused tax credits and, in relation to acquisitions, on the difference between the fair values of the net assets acquired and their tax base.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The Group accounts for the tax consequences of transactions and other events in the same way that it accounts for the transactions and other events themselves. Thus, for transactions and other events recognised in profit or loss, any related tax effects are also recognised in profit or loss. For transactions and other events recognised directly in equity, any related tax effects are also recognised directly in equity.

Deferred income tax assets and tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority. The same applies for offsetting of current tax assets and liabilities.

Deferred income taxes are calculated using currently enacted tax rates expected to apply when the asset is realized or the liability settled.

l) Employee benefits

(i) Pension insurance and supplementary pension insurance

The Group remits contributions to the state pension insurance scheme at the statutory rates applicable during the period which are based on gross salaries. The contributions to the state budget for the funding of the state pension insurance correspond to the defined contribution plans. The contribution expense is charged to profit or loss in the same period as the related salary expense. The Group also makes contributions to defined supplementary pension insurance schemes operated by external pension funds. These contributions are charged to profit or loss in the period to which the contributions relate. The Group has no further payment obligations once the contributions have been paid.

(ii) Redundancy and severance payments

Employees whose employment was terminated before term citing statutory reasons are entitled for redundancy and severance payment. The Group recognises provision for redundancy and severance payments when it is demonstrably committed to terminate the employment of current employees according to a detailed formal plan without the possibility of opt-out. Severance payments falling due more than 12 months after the balance sheet date are discounted to present value. The Group presently has no redundancy and severance obligations falling due more than 12 months after the balance sheet date.

(iii) Bonus plans

The Group recognises employee bonuses related to the given accounting period in accordance with the expectations of achievement of the targets of the Group, which take into consideration key performance indicators such as turnover or free cash flow after adjustments. The Group recognises a provision where the Group is contractually obliged to grant bonuses or where there is a past practice that has created a constructive obligation.

m) Provisions

Provisions are recognised when the Group has either a present legal or constructive obligation resulting from past events, and it is probable that an outflow of resources will be required to settle the obligation assuming that a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, e.g. based on insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

The asset retirement obligation recognized represent the best estimate of the expenditures required to settle the present obligation at the current balance sheet date. Such cost estimates, expressed at current price levels at the date of the estimate, are discounted at 31 December 2020 using a long-term real rate of interest in the range from 0.91% to 2.81% per annum to take into account the timing of payments. The initial discounted cost amounts are capitalized as part of property, plant and equipment and are depreciated over the lives of the sites. Each year, the provisions are increased to reflect the accretion of discount and to accrue an estimate for the effects of inflation, with the charges being recognized as a component of interest expense. As at 31 December 2020 the estimate for the effect of inflation is 2%. The decommissioning process is expected to continue for a period of up to 45 years. The estimate of future decommissioning costs is based on useful live of technology.

n) Revenue and expenses

Revenue, shown net of Value Added Tax and any discounts, and after eliminating sales within the Group, comprises goods sold and services provided. Revenues are measured at their fair value of the consideration received or receivable. The amount of revenue is recognised if it can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Group. If necessary, revenue is split into separately identifiable components.

Revenue and expenses are recognized on an accrual basis; i.e. when the flow of goods or services takes place, regardless of when the payment or collection is being made.

Revenue from mobile services includes in particular revenue from provision of a service of coverage of mobile signal for O2. This is a long-term contract. The service is provided on continuous basis and is regularly invoiced in the form of a service fee (Note 23). The revenue is recognized over the time.

Revenue from mass services of the fixed network represents revenue from provided access to the public fixed communications network (Internet, television lines and fixed phone lines). The service is provided and invoiced on continuous basis. The revenue is calculated as a price for the network line and the number of lines provided. The revenue is recognized over the time.

Revenue from data services represents a fee for access to end points of the existing telecommunication network. The service is provided on continuous basis and is regularly invoiced. The revenue is calculated as a price for the network line and the number of lines provided. The revenue is recognized over the time.

Other telecommunication revenues include but are not limited to revenues from the granting of the entitlement to use the spare capacity of the optical fibre (dark fibre); the revenues are accrued at the time of signing of the contract and recognized as revenue on straight-line basis over the contract term. Revenue from housing represents data centre services; the revenue occurs continuously in accordance with the invoicing.

Revenue from transit represents the service of routing and termination of mostly international voice traffic of international operators utilising the points of presence outside of the Czech Republic. The revenue is calculated by valuation of the incoming and outcoming minutes based on the measurement of the monthly traffic. The revenue is recognized over the time.

Revenues within the network sharing project are recognized at net value, because mutually provided services within the project are of similar nature and value. The revenue is recognized over the time.

The accounting entity accounts for the financing component – interest if the payment and delivery of the goods/services do not occur at the same time or, more precisely with a difference of up to 1 year. This way the accounting entity reflects the time value of money. The Group will receive the payment ahead of the performance of the service. Starting from 1 January 2018, the Group has been recognizing the financing component (interest expense) on monthly basis. It is an accounting adjustment which increases the straight-line revenues from the service provided while accounting for the interest expense for the financing of the Group by the recipient of the service.

Dividend income is recognized when the right to receive payment is established.

o) Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

p) Financial instruments – derivatives

Financial instruments carried on the consolidated statement of financial position include cash and bank balances, investments, receivables, payables, borrowings and derivatives. Detailed figures are described in Note 16.

Accounting for derivative financial instruments and hedging activities

Derivative financial instruments are initially recognised in the consolidated statement of financial position at fair value and subsequently are re-measured at their fair value. The method of recognising the resulting gain or loss is dependent on the nature of the item being hedged. On the date a derivative contract is entered into, the Group designates certain derivatives as either:

a) hedge of the fair value of a recognised asset or liability (fair value hedge), or

b) hedge of a forecasted transaction or of a firm commitment (cash flow hedge).

The Group has used the transitional provisions in IFRS 9 and continues to apply IAS 39 for existing hedging relations. As at 31 December 2020 the Group has not entered into any new hedging relations for which standard IFRS 9 has been applied and all hedging relations follow IAS 39.

Changes in the fair value of derivatives that are designated and qualified as fair value hedges and that are highly effective are recorded in profit or loss, along with changes in the fair value of the hedged asset or liability that is attributable to the hedged risk.

Changes in the fair value of derivatives that are designated and qualified as cash flow hedges and that are highly effective are recognised in other comprehensive income. Where the forecasted transaction or firm commitment results in the recognition of an asset or of a liability, the gains and losses previously deferred in other comprehensive income are transferred from other comprehensive income and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts deferred in other comprehensive income are transferred to profit or loss and classified as income or expense in the same periods during which the hedged firm commitment or forecasted transaction affects profit or loss.

Certain derivative transactions, while providing effective economic hedges under the Group's risk management policies, either do not qualify for hedge accounting under the specific rules in IAS 39 or the Group has elected not to apply the specific IAS 39 hedge accounting provisions. Changes in the fair value of such derivative instruments that do not qualify for hedge accounting are recognised immediately in profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting under IAS 39, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income and is recognised in profit or loss when the committed or forecasted transaction ultimately is recognised in profit or loss. However, if a committed or forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to profit or loss.

The Group documents at the inception of the transaction the relationship between the hedging instruments and the hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The process includes linking all derivatives designated as hedges to specific assets and liabilities or to specific firm commitments or forecast transactions.

The Group also documents its assessment, both at the hedge inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Fair value estimation

Except for currency options, the fair values of the derivative financial instruments reflect estimates based on calculations performed using the Group's own discounted cash flow models (using market rates). The fair value of currency options is based on information obtained from external parties, including the Group's bankers.

q) Operating profit

Operating profit is defined as profit before financial results and taxes and represents profit from the business operations including profit and loss on disposal of assets. Financial results consist of interest income, interest expense, other financial expense (which includes primarily bank charges), fair value losses and gains on financial instruments and foreign exchange gains and losses.

r) Alternative earnings measures

The Group presents certain alternative earnings measures such as EBITDA, EBIT. As used in these consolidated financial statements, the following terms have the following meaning:

“EBITDA” refers to income before income taxes and finance income (costs) plus depreciation and amortization, plus impairment of property, plant and equipment and intangible assets.

„EBIT“ refers to income before income taxes and finance income and finance costs.

s) The principle of reporting the comparative information

Unless specifically stated, any reported comparative information related to the financial position as at 31 December 2020 (Consolidated Statement of Financial Position) are shown as at 31 December 2019. The comparative financial information (Consolidated Statement of Total Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash flows) are presented for the year ended 31 December 2019.

4. SEGMENT INFORMATION

The Group recognises two main operating segments:

- Domestic services – provision of wholesale telecommunication services (mobile, fixed and data services) to other Czech telco operators, utilising the Group's network infrastructure in the Czech Republic; this is the core business of the Group.

- International transit - routing and termination of mainly international voice traffic to international operators, utilising the points of presence outside of the Czech Republic.

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

I. The nature of the international transit business is fundamentally different from the core business of the Group. In the case of the core business, the Group is selling services of its own network infrastructure in the Czech wholesale telecommunication market. In the case of the international transit business, the Group acts as a provider of interconnection between international operators, earning a small margin on the difference between the units of traffic purchased and sold.

II. The financial risk exposure of the international transit business is significantly lower compared to the core business of the Group. The impact of the potential impairment of carrying value of assets related to the international transit business is marginal as the international transit business is not capital intensive.

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 by the chief operating decision maker only to the level of EBIT.

Year ended 31 December 2020 In CZK million	Domestic services	International transit	Total reportable segments	Reconciling items	Group
Revenues	12,024	6,857	18,881	-	18,881
Other income from non-telecommunication services	-	-	-	258	258
Total costs	(3,512)	(6,556)	(10,068)	(258)	(10,326)
Earnings before impairment loss, interest, tax, depreciation and amortization (*EBITDA*)	**8,512**	**301**	**8,813**	**-**	**8,813**
Total depreciation and amortization	(4,890)	(21)	(4,911)	-	(4,911)
Impairment charge	(47)	-	(47)	-	(47)
Operating income (EBIT)	**3,575**	**280**	**3,855**	**-**	**3,855**
Net financial loss					(692)
Profit before tax					3,163
Corporate income tax					(617)
Profit for the year					**2,546**
As at 31 December 2020					
Total assets	**59,633**	**913**	**60,546**	**-**	**60,546**
Trade and other payables	4,762	793	5,555	-	5,555
Lease liability	5,068	-	5,068	-	5,068
Other liabilities	29,546	-	29,546	-	29,546
Total liabilities	**39,376**	**793**	**40,169**	**-**	**40,169**
Capital expenditure (Property, plant, equipment and intangible assets additions)	**3,861**	**27**	**3,888**	**-**	**3,888**

Year ended 31 December 2019 **In CZK million**	**Domestic services**	**International transit**	**Total reportable segments**	**Reconciling items (restated)**	**Group (restated)**
Revenues	11,941	7,227	19,168	-	19,168
Other income	-	-	-	179	179
Total costs	(3,650)	(6,959)	(10,609)	(179)	(10,788)
Earnings before impairment loss, interest, tax, depreciation and amortization (*EBITDA*)	**8,291**	**268**	**8,559**	**-**	**8,559**
Total depreciation and amortization	(4,562)	(24)	(4,586)	-	(4,586)
Impairment charge	(56)	-	(56)	-	(56)
Operating income (*EBIT*)	**3,673**	**244**	**3,917**	**-**	**3,917**
Net financial income					(441)
Profit before tax					3,476
Corporate income tax					(665)
Profit for the year					**2,811**
As at 31 December 2019					
Total assets	**60,314**	**1,748**	**62,062**	**-**	**62,062**
Trade and other payables	4,917	1,620	6,537	-	6,537
Lease liability	5,198	-	5,198	-	5,198
Other liabilities	29,284	-	29,284	-	29,284
Total liabilities	**39,399**	**1,620**	**41,019**	**-**	**41,019**
Capital expenditure (Property, plant, equipment and intangible assets additions)	**4,080**	**13**	**4,093**	**-**	**4,093**

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.

Reconciling items represent mainly rentals and sale of the fixed assets, which are not reported within business revenues per segments but in net within total costs.

Revenues from one customer from segment Domestic services and International transit represent more than 10% of Group's revenues. For the year ended 31 December 2020 these revenues are CZK 9,616 million (31 December 2019: CZK 9,879 million). Other income from non-telecommunication services is CZK 49 million (31 December 2019: CZK 53 million).

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

Revenues **In CZK million**	**Year ended** **31 December 2020**	**Year ended** **31 December 2019**
Czech Republic	13,095	12,405
Germany	699	915
Slovakia	485	627
Other EU countries	3,134	4,061
Switzerland	125	188
Other Non-EU countries	1,343	972
Total revenues	**18,881**	**19,168**

5. REVENUES

(i) 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 **In CZK million**	**Year ended** **31 December 2020**	**Year ended** **31 December 2019**
Domestic service		
Revenues from mobile network services	5,114	4,930
Revenues from fixed network mass service	4,422	4,455
Revenues from data services	1,382	1,379
Other telecommunication revenues	1,106	1,177
	12,024	**11,941**
International transit		
Revenues from transit services	6,857	7,227
Celkem	**18,881**	**19,168**

Revenues from related parties are disclosed in Note 23.

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

Revenues **In CZK million**				**Year ended** **31 December 2020**
Domestic service	**Czech Republic**	**EU**	**Non EU**	**Total**
Revenues from mobile network services	5,114	-	-	5,114
Revenues from fixed network mass service	4,422	-	-	4,422
Revenues from data services	1,328	52	2	1,382
Other telecommunication revenues	1,057	35	14	1,106
	11,921	**87**	**16**	**12,024**
International transit	**Czech Republic**	**EU**	**Non EU**	**Total**
Revenues from transit services	1,174	4,232	1,451	6,857
Total	**13,095**	**4,319**	**1,467**	**18,881**

Revenues **In CZK million**				**Year ended** **31 December 2019**
Domestic service	**Czech Republic**	**EU**	**Non EU**	**Total**
Revenues from mobile network services	4,930	-	-	4,930
Revenues from fixed network mass service	4,455	-	-	4,455
Revenues from data services	1,295	81	2	1,378
Other telecommunication revenues	1,157	21	-	1,178
	11,837	**102**	2	**11,941**
International transit	**Czech Republic**	**EU**	**Non EU**	**Total**
Revenues from transit services	567	5,502	1,158	7,227
Total	**12,404**	**5,604**	**1,160**	**19,168**

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

(ii) Receivables from contracts with customers, contract assests and contract liabilities

Receivables from contracts with customers are described in Note 13. They are trade receivables.

A contract asset is the right of the Group to a consideration in exchange for goods or services which the Group has already transferred to customers and which are not receivable yet. As the Group provides its supplies in the course of time, there are no contingencies for invoicing, the Group issues invoices regularly on monthly basis, it does not have any significant contractual assets recorded.

A contract liability is an obligation of the Group to deliver goods or provide services for which the Group has already received consideration from the customers. Contract liabilities are in particular the dark fibre services – granting of the entitlement to use the spare capacity of the optical fibre paid for by the customers. These are services which are typically provided for 15 – 20 years. A portion of the fees is invoiced and collected at the beginning of the provision of this service, but the service will be provided in the years to come. It includes activation fees for these services which do not constitute a stand-alone performance obligation and are therefore distributed throughout the term of the contract with the customers, i.e., the actual provision of the service. These expected revenues will be recognised during the upcoming years.

The amount of CZK 395 million, which was recognized as at 1 January 2020 as contract liabilities, was recognized as revenues in 2020.

Contract balances:

In CZK million	**Note**	**31 December 2020**	**31 December 2019**
Trade receivables	13	2,959	3,814
Contract liabilities (included in the position Other deferred revenue and Other non-current liabilities, Note 15)		1,928	2,065

In 2020, the Group did not recognize any revenue from contract liabilities which were met (or partially met) in prior periods.

(iii) The expected revenues from concluded contracts with customers

The following tables include revenues which are expected by the Group to be recognized in the future. These are revenues related to performance obligatons that are unsatisfied (or partially unsatisfied) as at 31 December 2020.

In CZK million	**Performance obligations to be satisfied**			
	Less than 1 year	**Between 1-2 years**	**Between 3-5 years**	**More than 5 years**
Revenues from mobile network services	5,073	4,842	12,144	18,089
Revenues from fixed network mass service	2,818	1,629	245	57
Revenues from data services	933	488	219	123
Other telecommunication revenues	308	228	447	841
Total	**9,132**	**7,187**	**13,055**	**19,110**

The Group applies the practical expedient of the standard and does not disclose in the table above information about contracted revenues with originally expected term of contract one year or less and contracted revenues for which are expected revenues recognized to the amount corresponding to the right to invoice.

The contracts for data services are concluded individually based on the customer`s needs. The contracts are split into categories based on the contract duration. Following the frequency of concluded contracts in each category, we have allocated the expected revenues from data services. Mostly preferred contract`s duration by the customer is 2 years.

(iv) Financing component

The Group has identified one revenue group where the time difference between the consideration received (incoming payment) and provision of the service is more than one year. These are the dark fibre services – granting of the entitlement to use the spare capacity of the optical fibre (dark fibre). The Company recognizes increase in revenues and interest expense.

For more information see Note 3 – Significant Accounting Policies.

Financing component **In CZK million**	**Year ended** **31 December 2020**	**Year ended** **31 December 2019**
The amount which increases the revenues	27	25
Interest expense	(40)	(39)

6. EXPENSES

Expenses **In CZK million**	**Year ended** **31 December 2020**	**Year ended** **31 December 2019**
Supplies	(6,891)	(7,251)
Staff costs	(1,370)	(1,226)
External services	(2,034)	(2,189)
Provisions for bad debts and inventories	20	(52)
Other expenses	(51)	(70)
Total expenses	**(10,326)**	**(10,788)**

Supplies include mainly costs of transit and interconnection costs.

The Group does not participate in any pension plans.

Statutory auditor's fees during the year ended 31 December 2020 amounted to CZK 5 million (31 December 2019: CZK 5 million).

Purchases from related parties are disclosed in Note 23.

7. FINANCE INCOME AND COSTS

In CZK million	**Year ended** **31 December 2020**	**Year ended** **31 December 2019**
Finance income		
Interest income	13	16
Foreign exchange gain (net)	-	13
Other finance income	-	5
Total finance income	**13**	**34**

Finance costs		
Interest expenses related to bonds	(320)	(318)
Interest expenses related to lease liability	(153)	(150)
Foreign exchange loss (net)	(196)	-
Other finance costs	(36)	(7)
Total finance costs	**(705)**	**(475)**

The Group recognises foreign exchange gains and losses on a net basis. The same applies for fair value adjustments of derivatives.

Interest expenses related to bonds include the net interest income from hedging derivatives of CZK 37 million (31 December 2019: CZK 31 million).

8. INCOME TAX

In CZK million	**Year ended 31 December 2020**	**Year ended 31 December 2019**
Total income tax expense is made up of:		
Current income tax charge	634	652
Deferred income tax credit (Note 17)	(17)	13
Total income tax	**617**	**665**

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the home country of the Group as follows:

In CZK million	**Year ended 31 December 2020**	**Year ended 31 December 2019**
Profit before tax	3,163	3,476
Income tax charge calculated at the statutory rate of 19%	(601)	(660)
Non-taxable income	124	55
Tax non-deductible expenses	(98)	(49)
Income tax related to prior years	(16)	(19)
Other differences	(26)	8
Income tax expense	**(617)**	**(665)**
Effective tax rate	19.51%	19.13%

As at 31 December 2020, the total amount of provisions for current income taxes is CZK 616 million (31 December 2019: CZK 630 million), advances paid for income taxes is CZK 481 million (31 December 2019: CZK 621 million), the net deferred tax liability is CZK 6,087 million (31 December 2019: CZK 6,202 million).

9. PROPERTY, PLANT AND EQUIPMENT

In CZK million	**Land, buildings and construction**	**Ducts, cables and related plant**	**Communication technology and related equipment**	**Other fixed assets**	**Construc-tion in progress**	**Total**
As at 31 December 2020						
Opening net book amount	5,144	33,765	7,643	305	1,772	**48,629**
Additions	92	917	1,393	70	808	**3,280**
Disposals	(10)	(1)	(1)	-	(3)	**(15)**
Transfers	68	258	434	17	(777)	-
Reclassifications	-	1	2	7	9	**19**
Depreciation	(285)	(1,860)	(1,428)	(90)	-	**(3,663)**
Impairment	3	-	-	-	(49)	**(46)**
Reclassification to/from Assets held for sale	-	-	-	-	-	-
Closing net book amount	5,012	33,080	8,043	309	1,760	**48,204**
As at 31 December 2020						
Cost	7,134	44,734	15,627	664	1,828	**69,987**
Accumulated depreciation	(2,122)	(11,654)	(7,584)	(355)	(68)	**(21,783)**
Net book amount	5,012	33,080	8,043	309	1,760	**48,204**

Additions represent investments in telecommunication infrastructure and related equipment.

In CZK million	**Land, buildings and construction**	**Ducts, cables and related plant**	**Communication technology and related equipment**	**Other fixed assets**	**Construc-tion in progress**	**Total**
As at 31 December 2019						
Opening net book amount	5,236	34,488	6,964	276	1,669	**48,633**
Additions	80	881	1,567	111	882	**3,521**
Disposals	(6)	(1)	(14)	(1)	4	**(26)**
Transfers	89	217	446	6	(758)	-
Reclassifications	2	-	(18)	(8)	37	**13**
Depreciation	(266)	(1,820)	(1,303)	(79)	0	**(3,468)**
Impairment	(2)	-	-	-	(54)	**(56)**
Reclassification to Assets held for sale	11	-	-	-	-	**11**
Closing net book amount	5,144	33,765	7,643	305	1,772	**48,629**
As at 31 December 2019						
Cost	7,066	43,618	14,432	581	1,818	**67,515**
Accumulated depreciation	(1,922)	(9,853)	(6,789)	(276)	(46)	**(18,886)**
Net book amount	5,144	33,765	7,643	305	1,772	**48,629**

As at 31 December 2020, the carrying value of non-depreciated assets amounted to CZK 174 million (31 December 2019: CZK 175 million).

In 2020 the impairment for tangible assets of CZK 46 million relates to failed projects in process and spare parts and material for investment to be liquidated (31 December 2019: CZK 56 million).

During 2020 the Group reclassified some assets at the net book value of CZK 2 million, 31 December 2019: CZK 19 million), previously classified as Assets held for sale, back to the Fixed assets. This type of assets did not any longer fulfil the conditions of presentation under IFRS 5 standard.

During 2020 the Group has not identified any new Assets held for sale.

As at 31 December 2020, the decrease in the net book value of the Assets held for sale amounted to CZK 15 million (31 December 2019: CZK 11 milion). As at 31 December 2020 and 31 December 2019 all the Assets held for sale is part of the Domestic services segment.

No property, plant and equipment were pledged as at 31 December 2020 and 31 December 2019.

For the year ended 31 December 2020, the Group achieved a total gain from the sale of the fixed assets of CZK 80 million (31 December 2019: CZK 35 million) and total losses of CZK 9 million (31 December 2019: CZK 5 million).

The Group has concluded contracts with T-Mobile Czech Republic a.s. related to the sharing of mobile networks. Companies provide each other services related to the sharing of active and passive 2G and 3G network elements and the sharing of LTE technologies for mobile networks based on geographical distribution of the Czech Republic territory. Contracts are based on the principle of balance. Revenue and costs relating to network sharing are reported in net value because the services provided within the project are of the same nature and value.

In terms of the planned construction of a new generation of the 5G mobile network and the related change in technology, in November 2020 the Group changed the estimate of the balance sheet useful life of the assets at the net book value amounting to CZK 2.8 billion. Assets will be depreciated within the next four years.

10. RIGHT OF USE ASSETS

In CZK million	Land, buildings and construction	Ducts, cables and related plant	Communication technology and related equipment	Other fixed assets	Total
As at 31 December 2020					
Opening net book amount	4,618	54	346	102	**5,120**
Additions	112	-	130	36	**278**
Modifications	232	(5)	15	9	**251**
Disposals	(12)	-	-	-	**(12)**
Reclassifications	-	-	-	(1)	**(1)**
Depreciation	(602)	(3)	(55)	(56)	**(716)**
Impairment	-	-	-	-	**-**
Closing net book amount	4,348	46	436	90	**4,920**
As at 31 December 2020					
Cost	5,537	54	531	190	**6,312**
Accumulated depreciation	(1,189)	(8)	(95)	(100)	**(1,392)**
Net book amount	4,348	46	436	90	**4,920**

In CZK million	Land, buildings and construction	Ducts, cables and related plant	Communication technology and related equipment	Other fixed assets	Total
As at 31 December 2019					
Opening net book amount	4,280	59	342	120	**4,801**
Additions	1,032	-	44	34	**1,110**
Disposals	(103)	-	-	(1)	**(104)**
Transfers	-	-	-	-	**-**
Reclassifications	-	-	-	-	-
Depreciation	(591)	(5)	(40)	(51)	**(687)**
Impairment	-	-	-	-	-
Closing net book amount	4,618	54	346	102	**5,120**
As at 31 December 2019					
Cost	5.209	59	386	153	**5,807**
Accumulated depreciation	(591)	(5)	(40)	(51)	**(687)**
Net book amount	4,618	54	346	102	**5,120**

The additions in the right of use assets mainly represents a new lease contract with České Radiokomunikace at the amount of 122 million related to the lease of new mobile sites.

The right of use assets arising from leases between related parties are disclosed in Note 23.

11. INTANGIBLE ASSETS

In CZK million	Goodwill	Software	Valuable rights	Construction in progress	Total
As at 31 December 2020					
Opening net book amount	11	1,348	233	176	**1,768**
Additions	5	478	47	78	**608**
Disposals	-	-	-	-	**-**
Transfers	-	106	12	(118)	**-**
Reclassifications	-	(2)	1	-	**(1)**
Amortisation charge	-	(516)	(16)	-	**(532)**
Impairment	-	-	-	(1)	**(1)**
Closing net book amount	16	1,414	277	135	**1,842**
As at 31 December 2020					
Cost	16	3,467	375	135	**3,993**
Accumulated amortisation	-	(2,053)	(98)	-	**(2,151)**
Net book amount	16	1,414	277	135	**1,842**

In CZK million	Goodwill	Software	Valuable rights	Construction in progress	Total
As at 31 December 2019					
Opening net book amount	-	1,179	159	279	**1,617**
Additions	11	413	77	82	**583**
Disposals	-	-	-	-	**-**
Transfers	-	168	17	(185)	**-**
Reclassifications	-	-	-	-	**-**
Amortisation charge	-	(412)	(20)	-	**(432)**
Impairment	-	-	-	-	-
Closing net book amount	11	1,348	233	176	**1,768**
As at 31 December 2019					
Cost	11	2,971	314	176	**3,472**
Accumulated amortisation	-	(1,623)	(81)	-	**(1,704)**
Net book amount	11	1,348	233	176	**1,768**

All of the Group’s intangible assets with finite lives are amortised and are subject to an annual review of impairment indicators and a review of their useful lives. Other intangible assets are tested annually for impairment.

12. INVENTORIES

In CZK million	31 December 2020	31 December 2019
Telecommunication material	52	47
Other	15	14
Total	**67**	**61**

The inventories stated above are net of an allowance cumulative write down for obsolete inventory of CZK 7 million (31 December 2019: CZK 6 million). The amount of inventories recognised as an expense is CZK 135 million (31 December 2019: CZK 124 million).

In 2020 and 2019, the Group had no inventories pledged as a security for liabilities.

13. RECEIVABLES AND OTHER ASSETS

In CZK million	31 December 2020	31 December 2019
Trade receivables from third parties (net)	1,982	2,649
Receivables with related parties (Note 23)	977	1,165
Prepayments	463	372
Tax receivables for indirect taxes	122	154
Advance payments	136	82
Cash collateral placed due to derivatives transactions (Note 16)	412	313
Other debtors (net)	9	7
Total receivables and other assets	**4,101**	**4,742**

Trade receivables and other debtors are stated net of bad debt provision of CZK 103 million (31 December 2019: CZK 127 million).

Prepayments comprise primarily prepaid expenses related to purchases of capacity upgrade from T-Mobile for O2 under the network sharing project of CZK 401 million (31 December 2019: CZK 319 million), and prepaid expenses from International transit of CZK 3 million (31 December 2019: CZK 4 million).

Receivables from related parties are disclosed in Note 23.

		Not impaired but overdue			
Trade receivables not impaired In CZK million	**Neither impaired nor overdue**	Less than 90 days	90 and 180 days	180 and 360 days	More than 360 days
As at 31 December 2020	2,187	238	247	-	-
As at 31 December 2019	2,719	658	114	-	-

Bad debt provisions In CZK million	
As at 1 January 2019	76
Additions	65
Release	(14)
As at 31 December 2019	127
Additions	57
Release	(81)
As at 31 December 2020	**103**

The Group's historical experience regarding the collection of accounts receivable is consistent with the recorded allowances. Because of these factors, the management believes that no additional credit risk beyond the amounts provided for is inherent in the Group's trade receivables.

As at 31 December 2020, the Group presented non-current other assets of CZK 415 million (31 December 2019: CZK 731 million) consisting of prepayments and advance payments for long-term expenses. In 2019, it also included cash collateral of derivative transactions. In 2020 cash collateral is included in other current assets.

Cash collateral placed represents the one-side collateral of derivative transactions of the Group, see Note 16. 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 31 December 2020 the short term part of the collateral placed represents CZK 412 million (31 December 2019: CZK 0 million) and long term part CZK 0 million (31 December 2019: CZK 313 million).

Financial instruments that are subject to an enforceable master netting arrangement or similar agreement include particularly interconnection services. Financial instruments are as follows:

In CZK million	**31 December 2020**	**31 December 2019**
Gross amounts of trade receivables	2,410	2,731
Amounts that are set off	(418)	(662)
Net amounts of trade receivables	1,992	2,069

14. CASH AND CASH EQUIVALENTS

In CZK million	**31 December 2020**	**31 December2019**
Cash at bank accounts and other cash equivalents	23	56
Cash at bank accounts and other cash equivalents (intercompany)	1,388	1,670
Total cash and cash equivalents	**1,411**	**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 14 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.

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

As at 31 December 2020, the Group had no available overdraft facility (as at 31 December 2019 the Group had available a withdrawned overdraft facility at the amount of CZK 3 million).

As at 31 December 2020 and 31 December 2019, no cash and cash equivalents were pledged.

15. TRADE AND OTHER PAYABLES

In CZK million	**31 December 2020**	**31 December 2019**
Trade creditors	4,502	5,765
VAT, other taxes and social security liability	113	109
Other deferred revenue	419	438
Employee wages and benefits	216	213
Other creditors	305	12
Trade and other payables - current	5,555	6,537
Other non-current liabilities	1,575	1,923

Payables to related parties are disclosed in Note 23.

As at 31 December 2020, the financial derivative liability of CZK 300 million is presented in the category Other creditors as short term liability. As at 31 December 2019, the financial derivative liability of CZK 231 million was presented as Other non-current liability.

As at 31 December 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 fiber.

Financial instruments that are subject to an enforceable master netting arrangement or similar agreement include particularly interconnection services. Financial instruments are as follows:

In CZK million	**31 December 2020**	**31 December 2019**
Gross amounts of trade creditors	660	1,191
Amounts that are set off	(418)	(662)
Net amounts of trade creditors	242	529

16. FINANCIAL ASSETS AND LIABILITIES

Financial liabilities

In CZK million	31 December 2020	31 December 2019
Bonds in local currency	4,844	4,837
Bonds in foreign currency	16,391	15,857
Accrued interest	21	20
Overdraft facility	-	3
Total financial liabilities	**21,256**	**20,717**
Repayable:		
Within one year	16,412	23
Between one and five years	4,844	20,694
Total financial liabilities	**21,256**	**20,717**

Issued Bonds

In million CZK					Nominal value		Net carrying value	
Date of issue	Maturity	ISIN	Interest rate	Curr	2020	2019	2020	2019
6 December 2016	6 December 2021	XS1529934801	1.423	EUR	16,403	15,881	16,407	15,872
6 December 2016	6 December 2023	XS1529936335	1.250	CZK	4,866	4,866	4,849	4,842
Total					**21,269**	**20,747**	**21,256**	**20,714**

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

All conditions resulted from bonds emission were met as at 31 December 2020.

Reconciliation of movements of liabilities to cash flows arising from financing activities:

In million CZK	Lease liability	Bonds
Balance at 1 January 2020	**5,198**	**20,714**
Payment of lease liability/Repayment of bonds	(651)	-
Interest paid	(153)	(300)
Total changes from financing cash flows	**(804)**	**(300)**
The effect of changes in foreign exchange rates	**15**	**525**
New leases	506	-
Other expense	-	9
Interest expense	153	308
Total liability-related other changes	**659**	**317**
Balance at 31 December 2020	**5,068**	**21,256**

In million CZK	Lease liability	Bonds
Balance at 1 January 2019	**4,801**	**20,890**
Payment of lease liability/Repayment of bonds	(634)	-
Interest paid	(150)	(288)
Total changes from financing cash flows	**(784)**	**(288)**
The effect of changes in foreign exchange rates	**-**	**(197)**
New leases	1,031	-
Interest expense	150	309
Total liability-related other changes	**1,181**	**309**
Balance at 31 December 2019	**5,198**	**20,714**

Financial risk management

The Group is exposed to a variety of financial risks, including the effects of changes in debt market prices, foreign currency exchange rates and interest rates as a result of ordinary business, debt taken on to finance its business and net investment in foreign operations. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group. 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.

Risk management is carried out by the treasury department according to the approved Treasury Policy that address specific areas, such as foreign exchange risk, interest rate risk, credit risk, liquidity risk, use of derivative financial instruments and investing excess liquidity.

(i) Foreign currency risk

The Group is exposed to foreign currency risk arising from various currency exposures, primarily with respect to positions at EURO and partially to positions at US dollar:

a) financial position items (such as debt, receivables, payables) denominated in foreign currency,
b) probable forecasted transactions (such as purchases or sales) denominated in foreign currency.

The Group's objective in managing its exposure to foreign currency fluctuations is to minimize reported earnings and cash flow volatility associated with foreign exchange rate changes.
The Group's exposure to currency risk as quantitative data.

In million	**31 December 2020**		**31 December 2019**	
	EUR	**USD**	**EUR**	**USD**
Closing balance of the currency	**-**	**1**	**1**	**1**
Trade receivables	12	4	34	3
Issued bonds	(625)	-	(625)	-
Trade payables	(34)	(6)	(55)	(5)
Net statement of financial position exposure	**(647)**	**(1)**	**(646)**	**(2)**
Next 12 months forecast sales	59	2	29	1
Next 12 months forecast purchases	(96)	(8)	(57)	(10)
Net forecast transaction exposure	**(37)**	**(6)**	**(28)**	**(9)**
Financial derivatives	534	-	535	-
Net exposure	**(150)**	**(7)**	**(138)**	**(10)**

CZK	**Average rate for the year ended**		**Year-end spot rate**	
	31 December 2020	**31 December 2019**	**31 December 2020**	**31 December 2019**
EUR 1	26.444	25.673	26.245	25.410
USD 1	23.195	22.934	21.387	22.621

The Group also has an exposure to GBP and CHF, but due to its insignificance it is not included in the net position neither used within GAP analysis for the stress position.

The following nominal value of foreign exchange contracts was used by the Group to manage the currency risk:

In CZK million	**Nominal value**	
	31 December 2020	**31 December 2019**
Hedging		
Cross currency swap (Note 23)	14,429	14,429

In CZK million	**Fair value**	
	31 December 2020	**31 December 2019**
Hedging		
Cross currency swap (Note 23)	(300)	(231)

Derivative transactions are collateralized by cash collateral placed – see Note 13.

Remaining maturity of financial derivatives – contracted amounts (nominal value):

31 December 2020 In CZK million	**Within 1 year**	**1 – 5 years**	**More than 5 years**	**Total**
Cross currency swap	14,429	-	-	14,429

31 December 2019 In CZK million	**Within 1 year**	**1 – 5 years**	**More than 5 years**	**Total**
Cross currency swap	-	14,429	-	14,429

The following table demonstrates the sensitivity to a reasonably possible change in foreign exchange rates.

In CZK million	**Effect on profit before tax**	
	Year ended 31 December 2020	**Year ended 31 December 2019**
FX risk		
12 forthcoming months „GAP“ analysis*	(203)	(187)

* 12 forthcoming months „GAP“ analysis represent FX risk modeling 5% negative development of EUR/CZK and USD/CZK FX rate.

(ii) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The short term and long term debt as well as cash assets can be maintained on both floating and fixed interest rates. The Group may sometimes use interest rate swaps, forward rate agreements and option based products to manage a desired mix of fixed and variable interest rates.

The Group's objective in managing its exposure to interest rate fluctuations is to minimize reported earnings and cash flow volatility associated with interest rate changes.

As at 31 December 2020 the Group has been exposed to interest rate risk arising from the debt instruments as guaranteed bonds shall be repaid on 6 December 2021.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates arising from cash investments.

In CZK million	**Effect on profit before tax**	
	Year ended 31 December 2020	**Year ended 31 December 2019**
FX risk		
Stress testing*	(149)	(11)

* IR risk used stress scenario represents immediate one-off change of interest rates along the whole yield curve by 1% in an unfavourable direction. The calculation of unfavourable impact on Group cash flows (due to an increase in interest expense or drop in interest received relating to financial assets and financial liabilities) is made each month on a floating basis within a 12 month time frame.

(iii) Liquidity risk

The Group’s essential objective of liquidity risk management is having access to the cash resources sufficient to meet all its cash payment obligations as they fall due, allowing some flexibility. The cash resources consist of generated cash position maintained in highly liquid instruments.

The Group is particularly focused on the liquidity profile within the time horizon of the next 12-18 months considering projected cash flow from operations and maturity structure of both debt obligations and financial investments. The current COVID-19 pandemic neither changed the Group approach to liquidity risk nor called for action of the Group relating to liquidity risk.

The table below summarizes the maturity profile of the Group’s financial and trade liabilities at 31 December 2020 based on contractual undiscounted payments. Values include projections of future interests.

As at 31 December 2020 **In CZK million**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**> 5 years**
Bonds	-	16,697	4,988	-
Lease liability	232	671	3,523	1,407
Trade and other payables (excluding Deferred revenue)	3,992	1,122	15	7
Total	**4,224**	**18,490**	**8,526**	**1,414**
Non-current other liabilities (excluding Deferred revenue and Derivatives)	-	-	58	-

As at 31 December 2019 **In CZK million**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**> 5 years**
Bonds	-	288	21,382	-
Lease liability	208	717	3,676	1,367
Trade and other payables (excluding Deferred revenue)	4,150	1,923	15	11
Total	**4,358**	**2,928**	**25,073**	**1,378**
Non-current other liabilities (excluding Deferred revenue)	-	-	58	2

In 2020 and 2019, the Group did not have any guarantees to third parties (except for the Cross Guarentee described in Note 23).

The Group's liquidity in the following twelve months is secured by an undrawn committed facility of up to EUR 625 million concluded with the bank syndicate, which will be used for the purposes of repaying the issued bonds in the amount of EUR 625 million, due on 6 December 2021 - see Note 14.

(iv) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial asset fails to meet its contractual obligations, and arises principally from the Group’s trade receivables. The majority of the Group’s customers have been transacting with the Group (respectively with the Demerged Company) over a long time period.

The Group trades only with recognized, creditworthy third parties. Receivable balances are monitored on an ongoing basis resulting in an insignificant Group’s exposure to bad debts. The maximum exposure is the carrying amount as disclosed in Note 13. There is no significant concentration of credit risk within the Group in respect to unrelated parties. The Group also has significant trade with companies from the PPF Group (see Note 23), mainly with O2 Czech Republic a.s. which is listed and profitable company and trading with it does not represents any significant credit risk for the Group.

The exposition of the Group to any potential worsening of credit market caused by the current COVID-19 pandemic is limited since the Group as a wholesale provider has business relations with the largest and financially sound partners. In 2020 the age structure of the receivables has not deteriorated. No significant receivables write-offs has been accounted for and the Group has not identified any new significant risk when compared to those of 2019.

With respect to credit risk arising from the financial assets of the Group, which comprise cash and cash equivalents and certain derivative instruments, the Group’s exposure arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Credit Risk is managed by:

- monitoring of accounts receivables: regular monitoring of payment moral of existing customers and monitoring and analyzing of the receivable aging structure (internal and external indicators of any potential bad debts),
- collection process: Collection from active customers is in the competence of the Accounting unit; subsequent collection is the responsibility of the Treasury unit, Legal unit and Accounting unit.

Offset of financial assets and financial liabilities

	Relevant amount offset/not offset in the consolidated statement of financial position as at 31 December 2020					
In million CZK	Amount of an asset/liability presented in the consolidated statement of financial position	Amount of an asset/liability offset in the consolidated statement of financial position	Net amount presented in the consolidated statement of financial position	Financial instrument	Received/ provided cash collateral	**Total**
Assets						
Positive values of financial derivatives	-	-	-	-	-	**-**
Trade receivables	2,410	(418)	1,992	-	-	**1,992**
Total assets	**2,410**	**(418)**	**1,992**	**-**	**-**	**1,992**
Liabilities						
Negative values of financial derivatives	300	-	300	-	(412)	**(112)**
Trade payables	660	(418)	242	-	-	**242**
Total liabilities	**960**	**(418)**	**542**	**-**	**(412)**	**130**

In million CZK	Relevant amount offset/not offset in the consolidated statement of financial position as at 31 December 2019					
	Amount of an asset/liability presented in the consolidated statement of financial position	Amount of an asset/liability offset in the consolidated statement of financial position	Net amount presented in the consolidated statement of financial position	Financial instrument	Received/ provided cash collateral	**Total**
Assets						
Positive values of financial derivatives	-	-	-	-	-	**-**
Trade receivables	2,731	(662)	2,069	-	-	**2,069**
Total assets	**2,731**	**(662)**	**2,069**	**-**	**-**	**2,069**
Liabilities						
Negative values of financial derivatives	231	-	231	-	(313)	**(82)**
Trade payables	1,191	(662)	529	-	-	**529**
Total liabilities	**1,422**	**(662)**	**760**	**-**	**(313)**	**447**

(v) Fair values estimation

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

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

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

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

As at 31 December 2020 and 31 December 2019, the Group held only foreign currency swap and FX Forward contracts classified as Level 2 financial instruments measured at fair value.

During the reporting period ending 31 December 2020, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

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

In CZK million	**31 December 2020**					
	Level 1	**Level 2**	**Level 3**	**Fair value**	**Carrying amount**	**Difference**
Financial assets						
Cash and cash equivalents	-	-	1,411	1,411	1,411	-
Receivables and other finanacial asset	-	-	4,101	4,101	4,101	-
Financial liabilities						
Bonds (inc. accruals)	-	21,408	-	21,408	21,256	152
Overdraft facility	-	-	-	-	-	-
Trade and other payables	-	-	5,555	5,555	5,555	-

In CZK million	**31 December 2019**					
	Level 1	**Level 2**	**Level 3**	**Fair value**	**Carrying amount**	**Difference**
Financial assets						
Cash and cash equivalents	-	-	1,726	1,726	1,726	-
Receivables and other finanacial asset	-	-	4,742	4,742	4,742	-
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 as at 31 December 2020 and 31 December 2019 has been determined using market price as bonds are traded on the public market.

Financial instruments in fair value

In CZK million	**Fair value 31 December 2020**			**Fair value 31 December 2019**		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Positive fair values of financial derivative instruments	-	-	-	-	-	-
Negative fair values of financial derivative instruments	-	300		-	231	-

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

17. DEFERRED INCOME TAXES

Short-term and long-term deferred taxes were calculated at a tax rate 19% (valid for Czech Republic) as at 31 December 2020 and 31 December 2019.

In CZK million	**31 December 2020**	**31 December 2019**
Opening balance	6,202	6,203
Profit or loss tax charge	(17)	13
Valuation gain/(losses) – cash flow hedge	(98)	(14)
Closing balance	**6,087**	**6,202**

The following amounts, determined after offsetting, are shown in the consolidated statement of financial position:

In CZK million	**31 December 2020**	**31 December 2019**
Deferred tax liabilities	6,087	6,202
Total	**6,087**	**6,202**

The deferred tax liability includes CZK 158 million (31 December 2019: CZK 39 million) to be realized in less than twelve months and CZK 5,929 million (31 December 2019: CZK 6,163 million) to be realized in more than twelve months.

The deferred tax is determined by these components:

In CZK million	**Consolidated statement of financial position**	
	31 December 2020	**31 December 2019**
Temporary differences relating to:		
Property, plant and equipment	6,119	6,103
Intangible assets	121	129
Trade receivables, inventories, provisions and other differences	(146)	(149)
Leasing	(28)	-
Valuation gain/(losses) – cash flow hedge	21	119
Total	**6,087**	**6,202**

In CZK million	**Consolidated statement of total comprehensive income**	
	Year ended 31 December 2020	**Year ended 31 December 2019**
Temporary differences relating to:		
Property, plant and equipment	15	14
Intangible assets	(8)	18
Trade receivables, inventories, provisions and other differences	4	(19)
Leasing	(28)	-
Total	**(17)**	**13**

18. PROVISIONS

In CZK million	**Asset retirement obligation**	**Other provisions**	**Total**
As at 1 January 2019	**360**	**101**	**461**
Additions during the year	-	5	5
Utilised during the year	(25)	(41)	(66)
Change of estimate	32	-	32
As at 31 December 2019	**367**	**65**	**432**
Additions during the year	12	111	123
Utilised during the year	(25)	(55)	(80)
Released during the year	-	(10)	(10)
Change of estimate	27	-	27
As at 31 December 2020	**381**	**111**	**492**

In CZK million	**Asset Asset retirement obligation**	**Other provisions**	**Total**
As at 31 December 2020			
Short-term provisions	5	111	116
Long-term provisions	376	-	376
	381	**111**	**492**
As at 31 December 2019			
Short-term provisions	25	52	77
Long-term provisions	342	13	355
	367	**65**	**432**

The Group recognized provision for estimated cost of dismantling and removing assets and restoring sites of CZK 381 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 dismantling and removing of assets. In accordance with the plan of the liquidation of the sites within the network sharing project, the utilization of provision was of CZK 4 million (31 December 2019: CZK 11 million). Due to increase of rented premises, the Group further refined the provision for dismantling, removing tangible assets and restoring them in technological buildings by CZK 12 million and utilizated provision by CZK 21 million (31 December 2019: CZK 14 million). In 2019, the provision decreased due to change of costs estimate by CZK 10 million.

Due to an update of discount rate the provision increased by CZK 27 million (31 December 2019: CZK 42 million).

During 2020 the Group utilised provision for costs connected with removal of CZK 33 million, residual amount of CZK 10 million was released as unused. This provision represented costs which occured 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. Other provisions include above all the provision for redundancy cost of CZK 100 million (31 December

2019: CZK 17 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.

19. 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 was held in September 2020 in this case. The proceeding conducted by European Commission is still ongoing.

20. 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 More information is described in Note 3h – Leases.

Amounts recognized in profit or loss:

In CZK million	Year ended 31 December 2020	Year ended 31 December 2019
Interest on lease liability	153	150
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	2	1

Amounts recognized in statement of cash flows:

In CZK million	Year ended 31 December 2020	Year ended 31 December 2019
Total cash outflow for leases under IFRS 16	(804)	(780)

The lease liability arising from leases under IFRS 16 between related parties is disclosed in Note 23.

Operating leases:

As at 31 December 2020

In CZK million	Less than 1 year	1 to 5 years	Over 5 years
Operating leases - lessor	104	178	61

As at 31 December 2019

In CZK million	Less than 1 year	1 to 5 years	Over 5 years
Operating leases - lessor	101	152	93

Capital expenditure contracted but not yet recognized in the financial statements as at 31 December 2020 amounted to CZK 550 million (31 December 2019: CZK 546 million). The majority of contracted amounts relates to telecommunication networks and service contracts

21. REGULATED SERVICES

The Group performs communication activities as defined in the Act on Electronic Communications based on a notification and a certificate from the Czech Telecommunications Office (CTO) no. 3987/1 as amended by later changes n. 3987/2.

The communication activities include (within the territory of the Czech Republic):

1. Public fixed communications network,
2. Public network for radio and TV signal broadcasting transmission,
3. Public access for electronic communications services
    a) Other voice services
    b) Leased lines
    c) Radio and TV signal broadcasting
    d) Data transmission
    e) Internet access services

   f) Publicly available telephone service
4. Non-public access for electronic communications services
   a) Other voice services
   b) Leased line
   c) Radio and TV signal broadcasting
   d) Data transmission
   e) Internet access services

The activities of the Group are subject to statutory regulation and supervision by the Czech national regulatory authority, the CTO. The CTO is an independent regulatory body that regulates electronic communications and postal services in the Czech Republic. The relevant regulatory framework is set forth mainly in the Act No. 127/2005 Coll. on Electronic Communications and other changes in some related legislation, together with secondary legislation and decisions of the CTO. As a member state of the European Union, the Czech Republic is subject to EU telecommunications regulation and the Electronic Communications Act thus implements the EU regulatory framework into the Czech legal system.

For certain revenues streams there is price regulation in the form of the maximum allowed price imposed by CTO. These streams are:

- call termination in individual public telephone networks provided at a fixed location
- provision of co-location services

There is also further set maximal price gap between related services - e.g. xDSL.

22. EQUITY

	31 December 2020	**31 December 2019**
Nominal value per ordinary registered share (CZK)	10	10
Number of shares	310,220,067	310,220,067
Ordinary share capital (in CZK million)	3,102	3,102

Shareholders of the Company were as follows:

	31 December 2020	**31 December 2019**
CETIN Group B.V.	89.7%	89.7%
PPF A3 B.V.	10.3%	10.3%

On 1 July 2020 the majority shareholder changed its registered name from PPF Infrastructure B.V. to CETIN Group B.V.

Capital management

The Company's objectives when managing its capital are:

a) to safeguard the Company's ability to continue as a going concern so that it can provide value for its shareholders, and
b) to comply with all relevant legal requirements.

The investment strategy of the Company in respect of managing its capital is to focus its investment activities on areas with the highest added value. That is on areas where the Company is currently strong and can utilize its scale and on areas with high growth potential. These areas are mainly improvement and development of fixed and mobile broadband infrastructure for wholesale customers of the Company. These are namely increasing the availability of high speed fixed internet via installing fibre access (FTTH), via significant remote DSLAMs rollout and the construction of a new generation 5G mobile network along with the extensive modernization of the radio access network (RAN). In the mobile network will also continue the further deployment of LTE network for mobile broadband. At the end of 2018 the Company started to implement WTTx technology (using 3,7 GHz frequency) that enables Company wholesale customers to introduce new services thus generating new revenues. The WTTx complements the technology mix in the Company network. The most common use of the WTTx will be to secure high-speed internet access enabling upload and download of large amounts of data especially in locations that are not covered by fixed broadband using FTTx. The WTTx build out will be ongoing in 2021. Additional investments into technology upgrades, as well as internal systems development and efficiency projects are also among the objectives of capital management.

In the following periods, the Board of Directors will continue to make in-depth analysis and assessment of the current and forecasted results of the Company, including any potential investments and their impact on cash flow generation and will optimize the capital structure to serve the purpose of achieving these plans.

There are no other specific objectives. The Company realizes certain investments and transactions to comply with all relevant legal requirements and its contractual obligations.

The Company is not subject to any externally imposed capital requirements.

Retained earnings

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 payment was proceeded in three installments, CZK 2,000 million on 6 May 2020, CZK 600 million on 31 August 2020 and CZK 194 million on 30 September 2020.

Gains and Losses from revaluation

a) Gains and Losses from revaluation arising from Cash Flow Hedges

In CZK million	**2020**	**2019**
The fair value of the effective part of cash flow hedges at 1 January	626	700
Deferred tax asset/(liability) arising from revaluation gains and losses at 1 January	(119)	(133)
Total balance at 1 January	**507**	**567**
Net profit/(loss) from the change in the fair value of a hedge instruments for the period		
Cross currency swap	(515)	(74)
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	98	14
The fair value of the effective part of cash flow hedges at 31 December	111	626
Deferred tax asset/(liability) arising from revaluation gains and losses at 31 December	(21)	(119)
Total balance at 31 December	**90**	**507**

The Group started applying hedge accounting upon cash flow hedges in 2016.

b) Foreign exchange translation reserve

As at 31 December 2020, the Group presented foreign exchange translation reserve CZK (2) million (31 December 2019: CZK (2) million)**.**

Other funds

As at 31 December 2020 other funds of CZK 14,620 million (31 December 2019: CZK 14,620 million) represent other capital funds created from the contributions provided by shareholders.

23. RELATED PARTY TRANSACTIONS

The companies CETIN Group B.V. and PPF A3 B.V., through which Mr. Petr Kellner is the controlling party of the Company, are parts of PPF Group and are under common control of the 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 31 December 2020	 31 December 2019
Receivables from provided services		
Other companies in PPF Group	977	1,165
of which: O2 Czech Republic a.s.	859	1,076
Payables from purchased services		
Other companies in PPF Group	412	370
of which: O2 Czech Republic a.s.	246	284
Negative fair value of derivatives		
Other companies in PPF Group (Note 16)	300	231
Nominal value of derivatives		
Other companies in PPF Group (Note 16)	14,429	14,429
Cash equivalents		
Other companies in PPF Group	1,388	1,671
Right of use assets		
Other companies in PPF Group	29	32
Lease liability		
Other companies in PPF Group	30	32

In CZK million	Volume of mutual transactions Year ended 31 December 2020	Year ended 31 December 2019
Sale of services (revenues and other income)		
Other companies in PPF Group	10,291	10,584
of which: O2 Czech Republic a.s.	9,665	9,932
Purchase of services		
Other companies in PPF Group	732	830
of which: O2 Czech Republic a.s.	160	218
Net gain/loss on fair value of derivatives		
Other companies in PPF Group	(3)	-

There have been no transactions with parent company (CETIN Group B.V.) in 2020 and 2019.

Receivables and payables relating to the sale and purchase of goods and services are included in trade receivables and payables described in Note 13 and 15.

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

For the year ended 31 December 2020, capital expenditures from related parties amounted to CZK 12 million (31 December 2019: CZK 5 million).

In connection with Separation new business relations with O2 Czech Republic were established as of 1 January 2015 by virtue of the purchase of fixed and mobile telecommunications services and other services. These services are provided based on wholesale agreements and represent significant revenues for the Group.

Amongst the most important wholesale agreements are the following:

a) mobile network services agreement

The subject of agreement is the provision of a service of coverage by mobile CDMA, 2G, 3G and LTE signal in the Czech Republic. The agreement also contains arrangements about development, operation and maintenance of the network, transfer capacity of the network, new services, extension of new services and collocation. The agreement is concluded for a period of 30 years. The Company is obliged to provide the services for a period of 7 years for an annual fixed payment of CZK 4.4 billion.

b) agreement on the access to the public fixed communications network (so-called MMO)

The subject of the MMO agreement is access to the public fixed communications network of CETIN, provision of the wholesale service of interconnection at the end point, and the wholesale service of access to publicly available services of electronic communications and related additional services. The agreement is concluded for an indefinite period, where the Company pays monthly charges (number of access points multiplied by unit price) and undertakes to draw at least 640,000 xDSL lines for a period of 7 years after signing the agreement (which represents only part of the total payment).

c) agreement on access to end points (so-called RADO) and others.

The Company enables O2 Czech Republic access to end points, which include provision of transfer capacity between the end point of the electronic communications network and the transfer point located in a collocation within the area of a single region. The agreement is concluded for an indefinite period. The Company will receive one-off fee for establishment, speed change, relay or relocation of the end point and regular monthly fees for provided sections based on transfer speed.

One of the legal consequences of the Separation was the creation of the Cross Guarantee, whereby the Company guarantees the monetary and non-monetary debts of O2 Czech Republic that remain O2 Czech Republic. The Cross Guarantee is a secondary liability for the Guarantor, covering the monetary and non-monetary debts existing at the date of the Separation (1 June 2015).

The Cross Guarantee is limited to the value of the net assets that passed to the Company during the Separation, assessed by expert valuation as CZK 46.9 billion. As of the date of the Separation (1 June 2015), the total monetary debts of O2 Czech Republic amounted to CZK 12.6 billion, of which CZK 3.2 billion were long-term liabilities, including long-term loans in the amount of CZK 3.0 billion. CZK 9.4 billion were short-term liabilities, including short-term loans in the amount of CZK 4.0 billion. As of 30 September 2016, both loans have been repaid.

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

	Year ended 31 December 2020	**Year ended 31 December 2019**
Remuneration in CZK million		
Board of directors	22	17
Supervisory board	-	-
Key management	39	31
Number of members		
Board of directors	4	3
Supervisory board	3	3
Key management	10	9

No loans were provided to members of the Board of Directors and Supervisory Board in 2020 and 2019.

24. SUBSIDIARIES

As at 31 December 2020

	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%	*0	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%	*0	Czech Republic	Other services	Full consolidation
4.	STEL-INVEST s.r.o.	100%	15	Czech Republic	Other services	Full consolidation

*200 ths CZK

On 7 May 2019 the Company acquired 100% interest in STEL-INVEST s.r.o. for CZK 15 million. STEL-INVEST s.r.o. is one the significant suppliers for telecommunication network deployment. In February 2020 the Company made an additional payment outside of the Registered Capital amounted to CZK 10 million. In May 2020 the contractual conditions for the purchase price increase were fulfilled and the Company paid the purchase price amounted to CZK 5 million.

On 11 December 2018 the Board of Director's decided to liqudate the subsidiary CZECH TELECOM Germany GmbH by 31 December 2018. The process of liquidation should be finalized within 2021 in accordance with legal regulations in the individual country. The provision to the purchase price of this subsidiary was created in the amount of CZK 3 million.

25. MATERIAL SUBSEQUENT EVENTS

The subsidiary STEL-INVEST s.r.o. was merged with CETIN a.s. with effect from 1 February 2021 as part of a domestic merger. The decisive date of this merger was 1 January 2021.

No other subsequent events have occurred after the balance sheet date with the material impact to the financial statements for the year ended 31 December 2020.

CETIN a.s.

STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (AS ADOPTED BY THE EU)

The financial statements were approved by the Board of Directors on 3 March 2021 and were signed on its behalf by:

Juraj Šedivý	**Filip Cába**
Chairman of the Board of Directors	Vice-chairman of the Board of Directors

CONTENT

STATEMENT OF TOTAL COMPREHENSIVE INCOME

In CZK million	Note	For the year ended 31 December 2020	31 December 2019
Revenues	5	18,849	19,152
Other income from non-telecommunication services		258	178
Expenses	6	(10,302)	(10,778)
Earnings before impairment loss, interest, tax, depreciation and amortization (*EBITDA*)		**8,805**	**8,552**
Depreciation and amortisation	9, 10, 11	(4,905)	(4,584)
Impairment loss	9, 11	(47)	(59)
Operating profit (*EBIT*)		**3,853**	**3,909**
Finance income	7	13	34
Finance costs	7	(712)	(483)
Profit before tax		3,154	3,460
Corporate income tax	8	(615)	(662)
Profit for the year		**2,539**	**2,798**
Other comprehensive income			
Cash flow hedges – effective portion of changes in fair value	22	(515)	(74)
Related deferred tax	17	98	14
Total other comprehensive income, net of tax		**(417)**	**(60)**
Total comprehensive income, net of tax		**2,122**	**2,738**
Profit attributable to:			
Equity holders of the Company		2,539	2,798
Total comprehensive income attributable to:			
Equity holders of the Company		2,122	2,738

STATEMENT OF FINANCIAL POSITION

		As at	
In CZK million	**Note**	**31 December 2020**	**31 December 2019**
ASSETS			
Property, plant and equipment	9	48,201	48,626
Intangible assets	11	1,826	1,757
Right of use assets	10	4,893	5,095
Investment in subsidiaries	24	93	78
Other assets	13	415	731
Non-current assets		**55,428**	**56,287**
Inventories	12	67	60
Receivables and other assets	13	3,667	4,004
Income tax receivable		-	-
Cash and cash equivalents	14	1,278	1,610
Current assets		**5,012**	**5,674**
Non-current assets held for sale	9	**-**	**15**
Total assets		**60,440**	**61,976**
EQUITY AND LIABILITIES			
Share capital	22	3,102	3,102
Reserves	22	90	507
Other funds	22	14,615	14,615
Retained earnings	22	2,540	2,798
Total equity		**20,347**	**21,022**
Long-term financial debts	16	4,819	20,659
Deferred tax liability	17	6,087	6,202
Non-current provisions for liabilities and charges	18	376	355
Lease liability	16	4,237	4,341
Non-current other liabilities	15	1,575	1,923
Non-current liabilities		**17,094**	**33,480**
Short-term financial debts	16	16,393	22
Trade and other payables	15	5,550	6,535
Lease liability	16	805	831
Income tax liability	8	135	9
Provisions for liabilities and charges	18	116	77
Current liabilities		**22,999**	**7,474**
Total liabilities		**40,093**	**40,954**
Total equity and liabilities		**60,440**	**61,976**

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

In CZK million	**Note**	**Share capital**	**Hedging reserve**	**Other capital funds**	**Retained earnings**	**Total**
As at 1 January 2020		**3,102**	**507**	**14,615**	**2,798**	**21,022**
Profit for the year		-	-	-	2,539	2,539
Other comprehensive income		-	(417)	-	-	(417)
Total comprehensive income		**-**	**(417)**	**-**	**2,539**	**2,122**
Dividends paid	22	-	-	-	(2,794)	(2,794)
Other distribution and roundings		-	-	-	(3)	(3)
As at 31 December 2020		**3,102**	**90**	**14,615**	**2,540**	**20,347**

For the year ended 31 December 2019

In CZK million	**Note**	**Share capital**	**Hedging reserve**	**Other capital funds**	**Retained earnings**	**Total**
As at 1 January 2019		**3,102**	**567**	**14,615**	**2,547**	**20,831**
Profit for the year		-	-	-	2,798	2,798
Other comprehensive income		-	(60)	_-	-	(60)
Total comprehensive income		**-**	**(60)**	**-**	**2,798**	**2,738**
Dividends paid	22	-	-	-	(2,542)	(2,542)
Other distribution and roundings		-	-	-	(5)	(5)
As at 31 December 2019		**3,102**	**507**	**14,615**	**2,798**	**21,022**

STATEMENT OF CASH FLOWS

		For the year ended	
In CZK million	**Note**	**31 December 2020**	**31 December 2019**
Profit for the year		2,539	2,798
Non-cash adjustments for:			
Depreciation and amortisation	9, 10, 11	4,905	4,584
Impairment loss	9, 11	47	59
Profit on sale of property, plant and equipment	9	(71)	(30)
Net finance costs/(revenues)	7	504	462
Foreign exchange gains/losses (net)	7	195	(13)
Other non-cash adjustments		(20)	52
Tax expense	8	615	662
Operating cash flow before working capital changes		**8,714**	**8,574**
Working capital adjustments:			
Change in trade and other receivables		804	(758)
Change in inventories		(7)	(4)
Change in trade and other payables		(1,037)	552
Change in operation provisions		21	(91)
Cash flows from operating activities		**8,495**	**8,273**
Interest received		13	15
Income tax paid	8	(506)	(703)
Net cash flow from operating activities		**8,002**	**7,585**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangibles		(4,351)	(3,783)
Proceeds from sales of property, plant and equipment and intangible assets		63	28
(Investment)/deinvestment in subsidiaries	24	(15)	(15)
Net cash used in investing activities		**(4,303)**	**(3,770)**
Cash flows from financing activities			
Interest paid related to intercompany loan		(317)	(308)
Interest paid from lease liability		(152)	(149)
Interest received from hedging derivative		37	30
Other finance charges received/paid		(63)	-
Cash collateral placed due to derivatives transactions	13	(99)	(169)
Dividends paid	22	(2,794)	(2,542)
Lease payments		(647)	(631)
Net cash used in financing activities		**(4,035)**	**(3,769)**
Net increase in cash and cash equivalents		**(336)**	**46**
Cash and cash equivalents at beginning of year	14	1,610	1,556
Effect of foreign exchange rate movements on cash and cash equivalents		4	8
Cash and cash equivalents at the year end	14	**1,278**	**1,610**

NOTES TO FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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.

As at 1 January 2020 the Company changed its name from Česká telekomunikační infrastruktura a.s. to CETIN a.s.

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 majority shareholder of the Company as at 31 December 2020 is CETIN Group B.V. (part of the PPF Group). Further details are described in Note 22.

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 number of employees employed by the Company amounted in average to 2,172 in 2020 (2019: 2,117).

The financial statements contained herein are the financial statements of the Company prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS).

The financial statements were approved for issue by the Company's Board of Directors on 3 March 2021.

2. BASIS OF PREPARATION

The principal accounting policies applied in the preparation of the financial statements are set out below. The policies have been consistently applied to all years presented, unless otherwise stated.

The financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. IFRS comprise standards and interpretations approved by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee.

The financial statements were prepared under the historical cost convention except for non-current assets held for sale (measured at lower of cost and fair value less cost to sell), financial derivatives and certain assets and liabilities acquired during business combinations which are measured at fair value as disclosed in the accounting policies below.

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

Use of estimates, assumptions and judgements

In preparing these financial statements in conformity with IFRS, management has made judgements, estimates and assumptions that affect the application of the Company'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 Company makes forward-looking estimates and assumptions. The resulting accounting estimates might be, by definition, different from the related actual results.

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

The estimates and assumptions that might have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next years are discussed below:

(1) Income taxes and deferred taxes

The Company estimates the liability for current income taxes and in consideration of the temporary differences also for the deferred tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business and the measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects to recover or settle the carrying amount of assets and liabilities. Where the final tax-non-deductible/non-taxable items are different from the amounts that were calculated, such differences will impact the current income and deferred tax provisions in the year in which such determination is made (see Note 8 and Note 17).

(2) Property, plant and equipment and intangible assets

The accounting treatment of investments in property, plant and equipment and intangible assets entails the use of estimates to determine the useful life for depreciation and amortization purposes and to assess fair value at their acquisition dates for assets acquired in business combinations.

Determining useful life requires making estimates in connection with future technological developments and alternative uses for assets. There is a significant element of judgment involved in making technological development assumptions, since the timing and scope of future technological advances are difficult to predict. Further details are described in Note 3b – Property, plant and equipment and Note 3c – Intangible assets.

When an item of property, plant and equipment or an intangible asset is considered to be impaired, the impairment loss is recognized in profit or loss. The decision to recognize an impairment loss involves estimates of amount of the impairment, as well as analysis of the reasons for the potential loss. Furthermore, additional factors, such as technological obsolescence, the suspension of certain services and other circumstantial changes are taken into account.

The Company evaluates the performance of its cash-generating units regularly to identify potential impairments. Determining the recoverable amount of the cash-generating units also entails the use of assumptions and estimates and requires a significant element of judgment.

The Company assesses at the end of each reporting period whether there is any indication that an impairment loss recognised in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the Company estimates the recoverable amount where an impairment loss recognised in prior periods shall be subject to the reversal.

(3) Provisions and contingent liabilities

The Company's treatment of obligations with uncertain timing and amount depends on the management's estimation of the amount and timing of the obligation and probability of an outflow of resources embodying economic benefits that will be required to settle the obligation (both legal or constructive). A provision is recognised when the Company has a present obligation as a result of past events, it is probable that an outflow of resources to settle the obligation will be required and a reliable estimate of the amount of the obligation can be made (see Note 18). The Company recognizes provision for dismantling assets, which is part of the costs of the assets, which the Company is required to dismantle at the end of their useful lives. The change in the estimates is recorded to the related fixed assets.

Contingent liabilities are not recognised, but are disclosed in the note to the financial statements (Note 19). Their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent liabilities are assessed continually to determine whether an outflow of resource embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the financial statements of the period in which the change in probability occurs.

(4) Receivables

Trade receivables are carried at original amount less loss allowance. The Company calculates loss allowances for receivables at the amount of expected credit losses over the life of the financial asset. Details regarding the determination of receivables impairment are stated in Note 3f – Financial assets.

(5) Mobile network services agreement

Amongst the most important contracts of the Company are Mobile network services agreement as described in Note 23. The Company evaluated this arrangement as a service contract according to the IFRIC 4 because fulfilment of the arrangement was not dependent on the use of a specified asset and the arrangement does not convey a right to use the asset. This assessment was also grandfathered to IFRS 16.

(6) Asset held for sale

The Company regularly revises its long term assets according to IFRS 5 to ensure correct presentation in the financial staments. The Company has to estimate the probability of sale, time prospectives of the sale and market value considering the costs of sale.

(7) Leasing

When measuring the lease liability, the incremental borrowing rate is applied. This incremental borrowing rate used for discounting of future lease payments is based on the current interest rate defined as reference rate adjusted by Company´s spread and further adjusted by lease specific adjustment.

The right of use assets are depreciated in accordance with the length of the lease contract and for the unlimited contracts (or contracts with prolongation option on the Company side) there was determined, based on the management assessment and plans and based on expected changes in technologies, the 7-year amortization period for the mobile network and 10-year amortization period for the fixed network. This is also in line with experience with the similar contracts concluded for the limited period.

3. SIGNIFICANT ACCOUNTING POLICIES

Adoption of new or revised IFRS standards and interpretations (includes standards and interpretations applicable to the Company)

While preparing the financial statements for the year ended 31 December 2020, the Company takes into account the amendment to IFRS 16 Leases - Rent Relief in connection with the COVID-19 pandemic. The impact of this amendment on the Company was insignificant. Although the company records a significant number of leases, it did not receive any rent relief in connection with the COVID-19 pandemic.

New IFRS not effective as at 31 December 2020 (includes standards applicable to the Company)

At the date of preparation of the accompanying financial statements, the following IFRS had been published, but their application was not mandatory. The Company intends to adopt those standards when they become effective.

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
IAS 1 (amendment)	Classification of liabilities as short-term and long-term	1 January 2023
IAS 16 (amendment)	Property, plant and equipment - revenue before intended use	1 January 2022
IAS 37 (amendment)	Onerous contracts - the costs of fulfilling the contract	1 January 2022
Annual revision IFRS 2018 – 2020	Amendment to IFRS 9 Financial Instrument Amendment of illustrative examples to IFRS 16 Leases	1 January 2022

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

a) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (“the functional currency”). The financial statements are presented in Czech crowns (CZK), which is the Company’s functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges. Such balances of monetary items are translated at year-end exchange rates. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

b) Property, plant and equipment

All property, plant and equipment are initially recorded at cost and, except for freehold land, are subsequently carried at its cost less any accumulated depreciation and accumulated impairment losses. Freehold land is subsequently stated at cost less any accumulated impairment charges.

Property, plant and equipment acquired in the business combination described in the General Information are stated at their acquisition costs (which are equal to their fair value at the effective date of the business combination) less accumulated depreciation and accumulated impairment charges.

Property, plant and equipment include all costs directly attributable to bringing the asset to working condition for its intended use. With respect to the construction of the network, this comprises every expenditure up to the customers' premises, including the cost of contractors, materials, direct labour costs and interest cost incurred during the course of construction. The costs also include the estimated costs of dismantling and removing the asset and restoring the site.

Subsequent costs are recognised as property, plant and equipment only if it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably.

Repairs and maintenance costs are expensed as incurred.

Significant spare parts with the useful life longer than one year are recognized as property, plant and equipment.

Items of property, plant and equipment that are retired are not intended for sale and are not expected to create any future economic benefits or are otherwise disposed of, are eliminated from the statement of financial position, along with the corresponding accumulated depreciation. Any gain or loss arising from retirement or disposal is included in net operating income, i.e. net gain or loss is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Items of property, plant and equipment, excluding freehold land, are depreciated from the time they are available for use, using the straight-line method. Depreciation ceases at the earlier of the date the asset is either de-recognised or at the date the asset is classified as held for sale.

Depreciation does not cease, when the asset becomes temporarily idle or retired from active use, unless the asset is fully depreciated.

Estimated useful lives adopted in the financial statements are as follows:

	Years
Buildings and constructions	From 9 to 56
Ducts, cables and related plant	From 11 to 45
Communication technology and related equipment	From 1 to 36
Other fixed assets	From 1 to 11

Freehold land is not depreciated as it is deemed to have an indefinite life.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (refer to Note 3e – Impairment of assets).

c) Intangible assets

Intangible assets of the Company include computer software and valuable rights. Computer software mainly represents the external acquisition costs of the Company's information systems that are intended for use within the Company. Generally, costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. However, costs that are directly associated with identifiable and unique software products controlled by the Company and that have a probable economic benefit exceeding the cost beyond one year, are recognised as intangible assets. Computer software costs recognised as assets are amortised using the straight-line method over their useful lives, generally from three to nine years. Valuable rights are amortised according to period for which the Company is allowed to utilize the rights.

Intangible assets of the Company acquired in business combinations are stated at their acquisition costs (which are equal to their fair value at the date of acquisition) less accumulated amortisation and accumulated impairment charges and are amortised on a straight-line basis over their estimated useful lives.

Intangible assets with an indefinite useful life are not amortised. They are subject to the regular impairment reviews (see Note 11).

The Company reviews at least at the balance sheet date the useful lives of intangible assets that are not amortised to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate.

On the balance sheet date, carrying amounts, residual values and the useful lives of assets are reviewed, revised and if necessary prospectively amended and accounted for as a change in an accounting estimate.

Intangible assets that are no longer in use and no future economic benefits are expected or that are disposed of for any other reason are de-recognised from the statement of financial position together with the corresponding accumulated amortisation (for amortised assets only). All gains or losses arising in this respect are recognised in net operating income, i.e. net gain or loss is determined as the difference between net disposal proceeds, if any, and the carrying amount of the asset.

Intangible assets, with the exception of assets with an indefinite useful life, are amortised using the straight-line method from the time they are available for use. Amortisation ceases at the earlier of the date the asset is de-recognised, the date the asset is classified as having the indefinite useful life or the date the asset is classified as held for sale.

d) Non-current assets classified as held for sale

The Company classifies separately in the statement of financial position a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups), its sale is highly probable and sale is expected within one year.

The Company measures a non-current asset (or disposal group) classified as held for sale at the lower of its carrying amount and fair value less costs to sell.

The Company recognizes an impairment loss for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell and is accounted for as an impairment loss with impact on profit or loss of the relevant period.

From the moment the asset is classified as held for sale and eventually revalued, it ceases to be depreciated/amortised and is reviewed only from an impairment point of view.

Any gain from any subsequent increase in fair value less costs to sell, but not in excess of the cumulative impairment loss that has been recognized, is determined and is accounted for in profit or loss.

e) Impairment of assets

Property, plant and equipment and other assets, including intangible assets, are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable or at least on an annual basis for intangibles with an indefinite useful life and for intangibles not yet in use. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset’s net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level, for which there are separately identifiable cash inflows (cash-generating units).

Impairment losses are recognised in expenses when incurred. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss in the period in which the reversal occurs.

The Company makes an assessment at least at each balance sheet date whether there is any indication that an impairment loss may no longer exist, may have decreased or may have increased. If any such indication exists, the Company estimates a recoverable amount of the assets and compares to the carrying value (net of the impairment allowance). In assessing whether there is any indication that the impairment loss recognised in the past may no longer exist, the Company considers both external and internal sources of information (asset's market value, changes expected in the market, including technological, economic or legal changes, market interest rates, significant changes with effect on the Company in the extent to which, or manner in which, the assets are used or are expected to be used, evidence available from internal reporting indicating economic performance of assets etc.). Where an estimate of recoverable amount is calculated, there is a number of management assumptions used.

f) Financial assets and liabilities

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

The initial recognition and subsequent measurement of financial instruments of the Company is based on new standard IFRS 9 Financial instrument – classification and measurement since 1 January 2018. The adoption of IFRS 9 has not had a significant effect on classification and measurement of financial assets and liabilities and the Company‘s related accounting policies are described below.

(i) Financial assets

According to IFRS 9, all financial assets are classified as measured at amortised cost, at fair value through other comprehensive income („FVOCI“) or at fair value through profit and loss („FVTPL“).

Except for trade receivables without a significant financing component, a financial asset is initially measured at fair value plus (for an item not at FVTPL category) transaction costs that are directly attributable to its acquisition. Subsequent measurement of individual categories of financial assets relevant to the Company is as follows.

<u>Financial assets measured at fair value though profit and loss</u>
These assets are subsequently measured at fair value and are included in current or non-current assets based on the period when they are settled. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost
These financial assets are subsequently measured at amortised cost using the effective interest method and are included in current and non-current assets based on the period when they are settled. The amortised cost is reduced by impairment losses (see section B below). Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Equity investments at fair value through other comprehensive income
These financial assets are subsequently measured at fair value and are included in non-current assets. Dividends are recognised as income in profit or loss, other gains and losses are recognised in other comprehensive income and are never reclassified to profit or loss.

(ii) Impairment of financial assets

In accordance with IFRS 9, entities calculate the loss allowance for financial assets as equal to the 12-month expected credit losses or equal to the expected credit losses over the life of the financial assets.

The Company calculates loss allowances for receivables and contract assets at the amount of expected credit losses over the life of the financial asset. For cash and cash equivalents and loans provided, the Company calculates loss allowances equal to the 12-month expected credit losses unless there has been a significant increase in the credit risk since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Company compares the default risk of a financial instrument at the balance sheet date with the risk at the date of initial recognition and considers reasonable and supportable information that is relevant and available without undue cost or effort and that indicates a significant increase in the credit risk. The assessment is mainly based on the Company's historical experience, available information and market analyses, including actual macroeconomic indicators and future forecasts.

(iii) Financial liabilities

Financial liabilities are classified as measured at amortised cost or at fair value though profit and loss („FVTPL").

A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. These financial liabilities are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss.

Other financial liabilities are recognised initially as the proceeds received, net of transaction costs incurred. In subsequent periods, they are stated at amortised cost using the effective interest rate method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the related period.
Financial liabilities are classified as current liabilities unless the Company has an unconditional right to settle the liability for at least 12 months after the balance sheet date.

Borrowing costs on debts used to finance the acquisition and construction of qualifying assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use. Other interest costs are recognised directly in profit and loss.

(iv) Derecognition of financial instruments

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The write off is recognized when the Company considers that there are no realistic prospects of recovery of the asset or when the Company`s legal right to such asset has ceased to exist. Even if the Company expects no significant recovery from the amount written off, the financial asset still could be subject to enforcement activities in order to comply with the Company’s terms and conditions. The losses from write-offs are recognized in the position Impairment loss on financial assets.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The potential difference between the carrying amount extinguished and the consideration paid is recognised in profit or loss.

(v) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously. Legally enforceable right can not be dependent on future events and it has to be executable in ordinary business and also in case of failure, insolvency or bankruptcy of the Company or a counterparty.

Amounts receivable from and payable to other domestic and foreign operators related to transit are netted and settled net on a regular basis.

g) Leases

As of 1 January 1 2019 The Company applies standard IFRS 16, which specified how to recognize, measure, present and disclose leases. The standard provided a single lessee accounting model, requiring lessees to recognize assets and liabilities for all major leases.

The Company’s accounting policy under IFRS 16 is as follows:

As a lessee:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company does not recognise right of use assets and liabilities for leases of low-value assets (copy machines, other office equipment). Further excludes initial direct costs from the measurement of the right of use assets at the date of initial application and applies a single discount rate to a portfolio of leases with reasonably similar characteristics.

The Company recognizes a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The assets are depreciated to the earlier of the end of the useful life of the right of use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain re- measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s incremental borrowing rate.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company’s estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

The lease payments associated with the low-value assets leases is recognized as an expense on a straight-line basis over the lease term. The Company has decided to recognize lease and non-lease components separately.

As a lessor:

When the Company acts as a lessor, it determines at lease inception whether each leases is a finance lease or an operating lease.
To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of ‘other revenue’.

h) Inventories

Inventory is stated at the lower of cost or net realisable value. Costs of inventories include the purchase price and related costs of acquisition (transport, customs duties and insurance). The cost of inventory is determined using weighted average cost. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

i) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities section of the statement of financial position.

j) Current and deferred income taxes

Taxation expense represents both current and deferred taxation, where appropriate.

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws, used to compute the amount are those that are enacted or substantively enacted by the balance sheet date in the relevant country.

Income tax relating to items recognised directly in other comprehensive income is recognised in other comprehensive income and not in profit or loss.

Deferred income taxation is calculated using the liability method applied to all temporary differences arising between the tax basis of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates and laws expected to apply when the asset is realised or the liability is settled are used to determine the deferred income tax.

The principal temporary differences arise from differences in the tax and accounting values of property, plant and equipment, impairment of receivables and allowance for obsolete and slow moving inventories, non-tax deductible allowances and provisions, unused tax credits and, in relation to acquisitions, on the difference between the fair values of the net assets acquired and their tax base.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The Company accounts for the tax consequences of transactions and other events in the same way that it accounts for the transactions and other events themselves. Thus, for transactions and other events recognised in profit or loss, any related tax effects are also recognised in profit or loss. For transactions and other events recognised directly in equity, any related tax effects are also recognised directly in equity.

Deferred income tax assets and tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority. The same applies for offsetting of current tax assets and liabilities.

Deferred income taxes are calculated using currently enacted tax rates expected to apply when the asset is realized or the liability settled.

k) Employee benefits

(i) Pension insurance and supplementary pension insurance

The Company remits contributions to the state pension insurance scheme at the statutory rates applicable during the period which are based on gross salaries. The contributions to the state budget for the funding of the state pension insurance correspond to the defined contribution plans. The contribution expense is charged to profit or loss in the same period as the related salary expense. The Company also makes contributions to defined supplementary pension insurance schemes operated by external pension funds. These contributions are charged to profit or loss in the period to which the contributions relate. The Company has no further payment obligations once the contributions have been paid.

(ii) Redundancy and severance payments

Employees whose employment was terminated before term citing statutory reasons are entitled for redundancy and severance payment. The Company recognises provision for redundancy and severance payments when it is demonstrably committed to terminate the employment of current employees according to a detailed formal plan without the possibility of opt-out. Severance payments falling due more than 12 months after the balance sheet date are discounted to present value. The Company presently has no redundancy and severance obligations falling due more than 12 months after the balance sheet date.

(iii) Bonus plans

The Company recognises employee bonuses related to the given accounting period in accordance with the expectations of achievement of the targets of the Company, which take into consideration key performance indicators such as turnover or free cash flow after adjustments. The Company recognises a provision where the Company is contractually obliged to grant bonuses or where there is a past practice that has created a constructive obligation.

l) Provisions

Provisions are recognised when the Company has either a present legal or constructive obligation resulting from past events, and it is probable that an outflow of resources will be required to settle the obligation assuming that a reliable estimate of the amount can be made. Where the Company expects a provision to be reimbursed, e.g. based on insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

The asset retirement obligation recognized represent the best estimate of the expenditures required to settle the present obligation at the current balance sheet date. Such cost estimates, expressed at current price levels at the date of the estimate, are discounted at 31 December 2020 using a long-term real rate of interest in the range from 0.91% to 2.81% per annum to take into account the timing of payments. The initial discounted cost amounts are capitalized as part of property, plant and equipment and are depreciated over the lives of the sites. Each year, the provisions are increased to reflect the accretion of discount and to accrue an estimate for the effects of inflation, with the charges being recognized as a component of interest expense. As at 31 December 2020 the estimate for the effect of inflation is 2%. The decommissioning process is expected to continue for a period of up to 45 years. The estimate of future decommissioning costs is based on useful live of technology.

m) Revenue and expenses

Revenue, shown net of Value Added Tax and any discounts, and after eliminating sales within the Company, comprises goods sold and services provided. Revenues are measured at their fair value of the consideration received or receivable. The amount of revenue is recognised if it can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company. If necessary, revenue is split into separately identifiable components.

Revenue and expenses are recognized on an accrual basis; i.e. when the flow of goods or services takes place, regardless of when the payment or collection is being made.

Revenue from mobile services includes in particular revenue from provision of a service of coverage of mobile signal for O2. This is a long-term contract. The service is provided on continuous basis and is regularly invoiced in the form of a service fee (Note 23). The revenue is recognized over the time.

Revenue from mass services of the fixed network represents revenue from the provided access to the public fixed communications network (Internet, television lines and fixed phone lines). The service is provided and invoiced on continuous basis. The revenue is calculated as a price for the network line and the number of lines provided. The revenue is recognized over the time.

Revenue from data services represents a fee for the access to end points of the existing telecommunication network. The service is provided on continuous basis and is regularly invoiced. The revenue is calculated as a price for the network line and the number of lines provided. The revenue is recognized over the time.
Other telecommunication revenues include but are not limited to revenues from the granting of the entitlement to use the spare capacity of the optical fibre (dark fibre); the revenues are accrued at the time of signing of the contract and recognized as revenue on straight-line basis over the contract term. Revenue from housing represents data centre services; the revenue occurs continuously in accordance with the invoicing.

Revenue from transit represents the service of routing and termination of mostly international voice traffic of international operators utilising the points of presence outside of the Czech Republic. The revenue is calculated by valuation of the incoming and outcoming minutes based on the measurement of the monthly traffic. The revenue is recognized over the time.

Revenues within the network sharing project are recognized at net value, because mutually provided services within the project are of similar nature and value. The revenue is recognized over the time.

The accounting entity accounts for the financing component – interest if the payment and delivery of the goods/services do not occur at the same time or, more precisely with a difference of up to 1 year. This way the accounting entity reflects the time value of money. The Company will receive the payment ahead of the performance of the service. Starting from 1 January 2018, the Company has been recognizing the financing component (interest expense) on monthly basis. It is an accounting adjustment which increases the straight-line revenues from the service provided while accounting for the interest expense for the financing of the Company by the recipient of the service.

Dividend income is recognized when the right to receive payment is established.

n) Dividend distribution

Dividend distribution to the Company’s shareholders is recognized as a liability in the Company’s financial statements in the period in which the dividends are approved by the Company’s shareholders.

o) Financial instruments – derivatives

Financial instruments carried on the statement of financial position include cash and bank balances, investments, receivables, payables, borrowings and derivatives. Detailed figures are described in Note 16.

Accounting for derivative financial instruments and hedging activities

Derivative financial instruments are initially recognised in the statement of financial position at fair value and subsequently are re-measured at their fair value. The method of recognising the resulting gain or loss is dependent on the nature of the item being hedged. On the date a derivative contract is entered into, the Company designates certain derivatives as either:

a) hedge of the fair value of a recognised asset or liability (fair value hedge), or

b) hedge of a forecasted transaction or of a firm commitment (cash flow hedge).

The Company has used the transitional provisions in IFRS 9 and continues to apply IAS 39 for existing hedging relations. As at 31 December 2020 the Company has not entered into any new hedging relations for which standard IFRS 9 has been applied and all hedging relations follow IAS 39.

Changes in the fair value of derivatives that are designated and qualified as fair value hedges and that are highly effective are recorded in profit or loss, along with changes in the fair value of the hedged asset or liability that is attributable to the hedged risk.

Changes in the fair value of derivatives that are designated and qualified as cash flow hedges and that are highly effective are recognised in other comprehensive income. Where the forecasted transaction or firm commitment results in the recognition of an asset or of a liability, the gains and losses previously deferred in other comprehensive income are transferred from other comprehensive income and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts deferred in other comprehensive income are transferred to profit or loss and classified as income or expense in the same periods during which the hedged firm commitment or forecasted transaction affects profit or loss.

Certain derivative transactions, while providing effective economic hedges under the Company's risk management policies, either do not qualify for hedge accounting under the specific rules in IAS 39 or the Company has elected not to apply the specific IAS 39 hedge accounting provisions. Changes in the fair value of such derivative instruments that do not qualify for hedge accounting are recognised immediately in profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting under IAS 39, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income and is recognised in profit or loss when the committed or forecasted transaction ultimately is recognised in profit or loss. However, if a committed or forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to profit or loss.

The Company documents at the inception of the transaction the relationship between the hedging instruments and the hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The process includes linking all derivatives designated as hedges to specific assets and liabilities or to specific firm commitments or forecast transactions.

The Company also documents its assessment, both at the hedge inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Fair value estimation

Except for currency options, the fair values of the derivative financial instruments reflect estimates based on calculations performed using the Company's own discounted cash flow models (using market rates). The fair value of currency options is based on information obtained from external parties, including the Company's bankers.

p) Operating profit

Operating profit is defined as profit before financial results and taxes and represents profit from the business operations including profit and loss on disposal of assets. Financial results consist of interest income, interest expense, other financial expense (which includes primarily bank charges), fair value losses and gains on financial instruments and foreign exchange gains and losses.

q) Alternative earnings measures

The Company presents certain alternative earnings measures such as EBITDA, EBIT. As used in these financial statements, the following terms have the following meaning:

“EBITDA” refers to income before income taxes and finance income (costs) plus depreciation and amortization, plus impairment of property, plant and equipment and intangible assets.

„EBIT“ refers to income before income taxes and finance income and finance costs.

r) The principle of reporting the comparative information

Unless specifically stated, any reported comparative information related to the financial position as at 31 December 2020 (Statement of Financial Position) are shown as at 31 December 2019. The comparative financial information (Statement of Total Comprehensive Income, Statement of Changes in Equity and Statement of Cash flows) are presented for the year ended 31 December 2019.

4. SEGMENT INFORMATION

The Company recognises two main operating segments:

- Domestic services – provision of wholesale telecommunication services (mobile, fixed and data services) to other Czech telco operators, utilising the Company's network infrastructure in the Czech Republic; this is the core business of the Company.

- 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 Company is reported separately for these reasons:

I. The nature of the international transit business is fundamentally different from the core business of the Company. 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 Company 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 Company. 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 not capital intensive.

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 Company.

The Company is capable of achieving substantial revenue from international transit services, while the EBITDA margin 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 by the chief operating decision maker only to the level of EBIT.

Year ended 31 December 2020 **In CZK million**	**Domestic services**	**International transit**	**Total reportable segments**	**Reconciling items**	**Company**
Revenues	11,992	6,857	18,849	-	18,849
Other income from non-telecommunication services	-	-	-	258	258
Total costs	(3,488)	(6,556)	(10,044)	(258)	(10,302)
Earnings before impairment loss, interest, tax, depreciation and amortization (*EBITDA*)	**8,504**	**301**	**8,805**	**-**	**8,805**
Total depreciation and amortization	(4,884)	(21)	(4,905)	-	(4,905)
Impairment charge	(47)	-	(47)	-	(47)
Operating income (*EBIT*)	**3,573**	**280**	**3,853**	**-**	**3,853**
Net financial loss					(699)
Profit before tax					3,154
Corporate income tax					(615)
Profit for the year					**2,539**
As at 31 December 2020					
Total assets	**59,527**	**913**	**60,440**	**-**	**60,440**
Trade and other payables	4,757	793	5,550	-	5,550
Lease liability	5,042	-	5,042	-	5,042
Other liabilities	29,501	-	29,501	-	29,501
Total liabilities	**39,300**	**793**	**40,093**	**-**	**40,093**
Capital expenditure (Property, plant, equipment and intangible assets additions)	**3,855**	**26**	**3,881**	**-**	**3,881**

Year ended 31 December 2019 **In CZK million**	**Domestic services**	**International transit**	**Total reportable segments**	**Reconciling items**	**Company**
Revenues	11,925	7,227	19,152	-	19,152
Other income from non-telecommunication services	-	-	-	178	178
Total costs	(3,641)	(6,959)	(10,600)	(178)	(10,778)
Earnings before impairment loss, interest, tax, depreciation and amortization (*EBITDA*)	**8,284**	**268**	**8,552**	**-**	**8,552**
Total depreciation and amortization	(4,560)	(24)	(4,584)	-	(4,584)
Impairment charge	(59)	-	(59)	-	(59)
Operating income (*EBIT*)	**3,665**	**244**	**3,909**	**-**	**3,909**
Net financial loss					(449)
Profit before tax					3,460
Corporate income tax					(662)
Profit for the year					**2,798**
As at 31 December 2019					
Total assets	**60,228**	**1,748**	**61,976**	**-**	**61,976**
Trade and other payables	4,915	1,620	6,535	-	6,535
Lease liability	5,172	-	5,172	-	5,172
Other liabilities	29,247	-	29,247	-	29,247
Total liabilities	**39,334**	**1,620**	**40,954**	**-**	**40,954**
Capital expenditure (Property, plant, equipment and intangible assets additions)	**4,076**	**13**	**4,089**	**-**	**4,089**

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

Reconciling items represent mainly rentals and sale of the fixed assets, which are not reported within business revenues per segments but in net within total costs.

Revenues from one customer from segment Domestic services and International transit represent more than 10% of the Company's revenues. For the year ended 31 December 2020 these revenues are CZK 9,616 million (31 December 2019: CZK 9,879 million). Other income from non-telecommunication services is CZK 49 million (31 December 2019: CZK 53 million).

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

Revenues **In CZK million**	**Year ended** **31 December 2020**	**Year ended** **31 December 2019**
Czech Republic	13,063	12,389
Germany	699	915
Slovakia	485	627
Other EU countries	3,134	4,061
Switzerland	125	188
Other Non-EU countries	1,343	972
Total revenues	**18,849**	**19,152**

5. REVENUES

(i) 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 Company as well as the method the Company 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 **In CZK million**	**Year ended** **31 December 2020**	**Year ended** **31 December 2019**
National services		
Revenues from mobile network services	5,114	4,930
Revenues from fixed network mass service	4,422	4,455
Revenues from data services	1,382	1,379
Other telecommunication revenues	1,074	1,161
	11,992	**11,925**
International transit		
Revenues from transit services	6,857	7,227
Total revenues	**18,849**	**19,152**

Revenues from related parties are disclosed in Note 23.

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

Revenues				**Year ended**
In CZK million				**31 December 2020**
Domestic service	**Czech Republic**	**EU**	**Non EU**	**Total**
Revenues from mobile network services	5,114	-	-	5,114
Revenues from fixed network mass service	4,422	-	-	4,422
Revenues from data services	1,328	52	2	1,382
Other telecommunication revenues	1,025	35	14	1,074
	11,889	**87**	**16**	**11,992**
International transit	**Czech Republic**	**EU**	**Non EU**	**Total**
Revenues from transit services	1,174	4,232	1,451	6,857
Total	**13,063**	**4,319**	**1,467**	**18,849**

Revenues				**Year ended**
In CZK million				**31 December 2019**
Domestic service	**Czech Republic**	**EU**	**Non EU**	**Total**
Revenues from mobile network services	4,930	-	-	4,930
Revenues from fixed network mass service	4,455	-	-	4,455
Revenues from data services	1,295	81	2	1,378
Other telecommunication revenues	1,141	21	-	1,162
	11,821	**102**	2	**11,925**
International transit	**Czech Republic**	**EU**	**Non EU**	**Total**
Revenues from transit services	567	5,502	1,158	7,227
Total	**12,404**	**5,604**	**1,160**	**19,152**

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

(ii) Receivables from contracts with customers, contract assests and contract liabilities

Receivables from contracts with customers are described in Note 13. They are trade receivables.

A contract asset is the right of the Company to a consideration in exchange for goods or services which the Company has already transferred to customers and which are not the receivable yet. As the Company provides its supplies in the course of time, there are no contingencies for invoicing, the Company issues invoices regularly on monthly basis, it does not have any significant contractual assets recorded.

A contract liability is an obligation of the Company to deliver goods or provide services for which the Company has already received consideration from the customers. Contract liabilities are in particular the dark fibre services – granting of the entitlement to use the spare capacity of the optical fibre paid for by the customers. These are services which are typically provided for 15 – 20 years. A portion of the fees is invoiced and collected at the beginning of the provision of this service, but the service will be provided in the years to come. It includes activation fees for these services which do not constitute a stand-alone performance obligation and are therefore distributed throughout the term of the contract with the customers, i.e., the actual provision of the service. These expected revenues will be recognised during the upcoming years.

The amount of CZK 395 million, which was recognized as at 1 January 2020 as contract liabilities, was recognized as revenues in 2020.

Contract balances:

In CZK million	**Note**	**31 December 2020**	**31 December 2019**
Trade receivables	13	2,941	3,809
Contract liabilities (included in the position Other deferred revenue and Other non-current liabilities, Note 15)		1,928	2,065

In 2020, the Company did not recognize any revenue from contract liabilities which were met (or partially met) in prior periods.

(iii) The expected revenues from concluded contracts with customers

The following tables include revenues which are expected by the Company to be recognized in the future. These are revenues related to performance obligatons that are unsatisfied (or partially unsatisfied) as at 31 December 2020.

In CZK million	**Performance obligations to be satisfied**			
	Less than 1 year	**Between 1-2 years**	**Between 3-5 years**	**More than 5 years**
Revenues from mobile network services	5,073	4,842	12,144	18,089
Revenues from fixed network mass service	2,818	1,629	245	57
Revenues from data services	933	488	219	123
Other telecommunication revenues	308	228	447	841
Total	**9,132**	**7,187**	**13,055**	**19,110**

The Company applies the practical expedient of the standard and does not disclose in the table above information about contracted revenues with originally expected term of contract one year or less and contracted revenues for which are expected revenues recognized to the amount corresponding to the right to invoice.

The contracts for data services are concluded individually based on the customer`s needs. The contracts are split into categories based on the contract duration. Following the frequency of concluded contracts in each category, we have allocated the expected revenues from data services. Mostly preferred contract`s duration by the customer is 2 years.

(iv) Financing component

The Company has identified one revenue group where the time difference between the consideration received (incoming payment) and provision of the service is more than one year. These are the dark fibre services – granting of the entitlement to use the spare capacity of the optical fibre (dark fibre). The Company recognizes increase in revenues and interest expense.

For more information see Note 3 – Significant Accounting Policies.

Expenses **In CZK million**	**Year ended** **31 December 2020**	**Year ended** **31 December 2019**
The amount which increases the revenues	27	25
Interest expense	(40)	(39)

6. EXPENSES

Expenses **In CZK million**	**Year ended** **31 December 2020**	**Year ended** **31 December 2019**
Supplies	(6,862)	(7,239)
Staff costs	(1,349)	(1,215)
External services	(2,060)	(2,202)
Provisions for bad debts and inventories	20	(52)
Other expenses	(51)	(70)
Total expenses	**(10,302)**	**(10,778)**

Supplies include mainly costs of transit and interconnection costs.

The Company does not participate in any pension plans.

Statutory auditor's fees during the year ended 31 December 2020 amounted to CZK 4 million (31 December 2019: CZK 4 million).

Purchases from related parties are disclosed in Note 23.

7. FINANCE INCOME AND COSTS

In CZK million	Year ended 31 December 2020	Year ended 31 December 2019
Finance income		
Interest income	13	16
Foreign exchange gain (net)	-	13
Other finance income	-	5
Total finance income	**13**	**34**
Finance costs		
Interest expenses related to intercompany loan	(328)	(326)
Interest expenses related to lease liability	(152)	(149)
Foreign exchange loss (net)	(195)	-
Other finance costs	(37)	(8)
Total finance costs	**(712)**	**(483)**

The Company recognises foreign exchange gains and losses on a net basis. The same applies for fair value adjustments of derivatives.

Interest expenses related to intercompany loan include the net interest income from hedging derivatives of CZK 37 million (31 December 2019: CZK 31 million).

8. INCOME TAX

In CZK million	Year ended 31 December 2020	Year ended 31 December 2019
Total income tax expense is made up of:		
Current income tax charge	632	648
Deferred income tax credit (Note 17)	(17)	14
Total income tax	**615**	**662**

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the home country of the Company as follows:

In CZK million	Year ended 31 December 2020	Year ended 31 December 2019
Profit before tax	3,154	3,460
Income tax charge calculated at the statutory rate of 19%	(599)	(657)
Non-taxable income	124	55
Tax non-deductible expenses	(98)	(49)
Income tax related to prior years	(16)	(19)
Other differences	(26)	8
Income tax expense	**(615)**	**(662)**
Effective tax rate	19.50%	19.13%

As at 31 December 2020, the total amount of provisions for current income taxes is CZK 616 million (31 December 2019: CZK 630 million), advances paid for income taxes is CZK 481 million (31 December 2019: CZK 621 million), the net deferred tax liability is CZK 6,087 million (31 December 2019: CZK 6,202 million).

9. PROPERTY, PLANT AND EQUIPMENT

In CZK million	Land, buildings and construction	Ducts, cables and related plant	Communication technology and related equipment	Other fixed assets	Construction in progress	Total
As at 31 December 2020						
Opening net book amount	5,144	33,765	7,640	305	1,772	**48,626**
Additions	92	916	1,392	70	808	**3,278**
Disposals	(10)	(1)	(1)	-	(3)	**(15)**
Transfers	68	258	434	17	(777)	**-**
Reclassifications	-	1	2	7	9	**19**
Depreciation	(285)	(1,860)	(1,426)	(90)	-	**(3,661)**
Impairment	3	-	-	-	(49)	**(46)**
Reclassification to/from Assets held for sale	-	-	-	-	-	**-**
Closing net book amount	5,012	33,079	8,041	309	1,760	**48,201**
As at 31 December 2020						
Cost	7,134	44,733	15,619	664	1,828	**69,978**
Accumulated depreciation	(2,122)	(11,654)	(7,578)	(355)	(68)	**(21,777)**
Net book amount	5,012	33,079	8,041	309	1,760	**48,201**

Additions represent investments in telecommunication infrastructure and related equipment.

In CZK million	Land, buildings and construction	Ducts, cables and related plant	Communication technology and related equipment	Other fixed assets	Construc- tion in progress	Total
As at 31 December 2019						
Opening net book amount	5,236	34,488	6,956	276	1,669	**48,625**
Additions	80	881	1,563	111	882	**3,517**
Disposals	(6)	(1)	(6)	(1)	(4)	**(18)**
Transfers	89	217	446	6	(758)	**-**
Reclassifications	2	-	(17)	(8)	37	**14**
Depreciation	(266)	(1,820)	(1,302)	(79)	-	**(3,467)**
Impairment	(2)	-	-	-	(54)	**(56)**
Reclassification to Assets held for sale	11	-	-	-	-	**11**
Closing net book amount	5,144	33,765	7,640	305	1,772	**48,626**
As at 31 December 2019						
Cost	7,066	43,618	14,422	581	1,818	**67,505**
Accumulated depreciation	(1,922)	(9,853)	(6,782)	(276)	(46)	**(18,879)**
Net book amount	5,144	33,765	7,640	305	1,772	**48,626**

As at 31 December 2020, the carrying value of non-depreciated assets amounted to CZK 174 million (31 December 2019: CZK 175 million).

In 2020 the impairment for tangible assets of CZK 46 million relates to failed projects in process and spare parts and material for investment to be liquidated (31 December 2019: CZK 56 million).

During 2020 the Company reclassified some assets at the net book value of CZK 2 million (31 December 2019: CZK 19 million), previously classified as Assets held for sale, back to the Fixed assets. This type of assets did not any longer fulfil the conditions of presentation under IFRS 5 standard.

During 2020 the Company has not identified any new Assets held for sale.

As at 31 December 2020, the decrease in the net book value of the Assets held for sale amounted to CZK 15 million (31 December 2019: CZK 11 milion). As at 31 December 2020 and 31 December 2019 all the Assets held for sale is part of the Domestic services segment.

No property, plant and equipment were pledged as at 31 December 2020 and 31 December 2019.

For the year ended 31 December 2020, the Company achieved a total gain from the sale of the fixed assets of CZK 80 million (31 December 2019: CZK 35 million) and total losses of CZK 9 million (31 December 2019: CZK 5 million).

The Company has concluded contracts with T-Mobile Czech Republic a.s. related to the sharing of mobile networks. Companies provide each other services related to the sharing of active and passive 2G and 3G network elements and the sharing of LTE technologies for mobile networks based on geographical distribution of the Czech Republic territory. Contracts are based on the principle of balance. Revenue and costs relating to network sharing are reported in net value because the services provided within the project are of the same nature and value.

In terms of the planned construction of a new generation of the 5G mobile network and the related change in technology, in November 2020 the Company changed the estimate of the balance sheet useful life of the assets at the net book value amounting to CZK 2.8 billion. Assets will be depreciated within the next four years.

10. RIGHT OF USE ASSETS

In CZK million	**Land, buildings and construction**	**Ducts, cables and related plant**	**Communication technology and related equipment**	**Other fixed assets**	**Total**
As at 31 December 2020					
Opening net book amount	4,599	54	346	96	**5,095**
Additions	114	-	130	27	**271**
Modifications	232	(5)	15	9	**251**
Disposals	(12)	-	-	-	(12)
Reclassifications	-	-	-	-	-
Depreciation	(601)	(3)	(55)	(53)	**(712)**
Impairment	-	-	-	-	-
Closing net book amount	4,332	46	436	79	**4,893**
As at 31 December 2020					
Cost	5,520	54	531	175	**6,280**
Accumulated depreciation	(1,188)	(8)	(95)	(96)	**(1,387)**
Net book amount	4,332	46	436	79	**4,893**

In CZK million	Land, buildings and construction	Ducts, cables and related plant	Communication technology and related equipment	Other fixed assets	Total
As at 31 December 2019					
Opening net book amount	4,280	59	342	120	**4,801**
Additions	1,013	-	44	27	**1,084**
Disposals	(103)	-	-	(1)	**(104)**
Transfers	-	-	-	-	-
Reclassifications	-	-	-	-	-
Depreciation	(591)	(5)	(40)	(50)	**(686)**
Impairment	-	-	-	-	-
Closing net book amount	4,599	54	346	96	**5,095**
As at 31 December 2019					
Cost	5,190	59	386	146	**5,781**
Accumulated depreciation	(591)	(5)	(40)	(50)	**(686)**
Net book amount	4,599	54	346	96	**5,095**

The additions in the right of use assets mainly represents a new lease contract with České Radiokomunikace at the amount of 122 million related to the lease of new mobile sites.

The right of use assets arising from leases between related parties are disclosed in Note 23.

11. INTANGIBLE ASSETS

In CZK million	Software	Valuable rights	Construction in progress	Total
As at 31 December 2020				
Opening net book amount	1,348	233	176	**1,757**
Additions	478	47	78	**603**
Disposals	-	-	-	**-**
Transfers	106	12	(118)	**-**
Reclassifications	(2)	1	-	**(1)**
Amortisation charge	(516)	(16)	-	**(532)**
Impairment	-	-	(1)	**(1)**
Closing net book amount	1,414	277	135	**1,826**
As at 31 December 2020				
Cost	3,467	375	135	**3,977**
Accumulated amortisation	(2,053)	(98)	-	**(2,151)**
Net book amount	1,414	277	135	**1,826**

In CZK million	**Software**	**Valuable rights**	**Construction in progress**	**Total**
As at 31 December 2019				
Opening net book amount	1,179	159	279	**1,617**
Additions	413	77	82	**572**
Disposals	-	-	-	**-**
Transfers	168	17	(185)	**-**
Reclassifications	-	-	-	**-**
Amortisation charge	(412)	(20)	-	**(432)**
Impairment	-	-	-	**-**
Closing net book amount	1,348	233	176	**1,757**
As at 31 December 2019				
Cost	2,971	314	176	**3,461**
Accumulated amortisation	(1,623)	(81)	-	**(1,704)**
Net book amount	1,348	233	176	**1,757**

All of the Company's intangible assets with finite lives are amortised and are subject to an annual review of impairment indicators and a review of their useful lives. Other intangible assets are tested annually for impairment.

12. INVENTORIES

In CZK million	**31 December 2020**	**31 December 2019**
Telecommunication material	52	47
Other	15	13
Total	**67**	**60**

The inventories stated above are net of an allowance cumulative write down for obsolete inventory of CZK 7 million (31 December 2019: CZK 6 million). The amount of inventories recognised as an expense is CZK 135 million (31 December 2019: CZK 124 million).

In 2020 and 2019, the Company had no inventories pledged as a security for liabilities.

13. RECEIVABLES AND OTHER ASSETS

In CZK million	**31 December 2020**	**31 December 2019**
Trade receivables from third parties (net)	1,964	2,644
Receivables with related parties (Note 23)	977	1,165
Prepayments	463	372
Tax receivables for indirect taxes	121	152
Advance payments	136	82
Cash collateral placed due to derivatives transactions (Note 16)	412	313
Other debtors (net)	9	7
Total receivables and other asstes	**4,082**	**4,735**

Trade receivables and other debtors are stated net of bad debt provision of CZK 103 million (31 December 2019: CZK 127 million).

Prepayments comprise primarily prepaid expenses related to purchases of capacity upgrade from T-Mobile for O2 under the network sharing project of CZK 401 million (31 December 2019: CZK 319 million), and prepaid expenses from International transit of CZK 3 million (31 December 2019: CZK 4 million).

Receivables from related parties are disclosed in Note 23.

		Not impaired but overdue			
Trade receivables not impaired In CZK million	**Neither impaired nor overdue**	Less than 90 days	90 and 180 days	180 and 360 days	More than 360 days
As at 31 December 2020	2,187	238	247	-	-
As at 31 December 2019	2,719	658	114	-	-

Bad debt provisions In CZK million	
As at 1 January 2019	76
Additions	65
Release	(14)
As at 31 December 2019	127
Additions	57
Release	(81)
As at 31 December 2020	**103**

The Company’s historical experience regarding the collection of accounts receivable is consistent with the recorded allowances. Because of these factors, the management believes that no additional credit risk beyond the amounts provided for is inherent in the Company’s trade receivables.

As at 31 December 2020, the Company presented non-current other assets of CZK 415 million (31 December 2019: CZK 731 million) consisting of prepayments and advance payments for long-term expenses. In 2019, it also included cash collateral of derivative transactions. In 2020 cash collateral is included in other current assets.

Cash collateral placed represents the one-side collateral of derivative transactions of the Company, see Note 16. Cash collateral placed results from the Company’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 31 December 2020 the short term part of the collateral placed represents CZK 412 million (31 December 2019: CZK 0 million) and long term part CZK 0 million (31 December 2019: CZK 313 million).

Financial instruments that are subject to an enforceable master netting arrangement or similar agreement include particularly interconnection services. Financial instruments are as follows:

In CZK million	31 December 2020	31 December 2019
Gross amounts of trade receivables	2,410	2,731
Amounts that are set off	(418)	(662)
Net amounts of trade receivables	1,992	2,069

14. CASH AND CASH EQUIVALENTS

In CZK million	31 December 2020	31 December 2019
Cash at bank accounts and other cash equivalents	12	40
Cash at bank accounts and other cash equivalents (inter-company)	1,266	1,570
Total cash and cash equivalents	**1,278**	**1,610**

The item Cash at bank accounts and other cash equivalents includes the balance of bank accounts of the Special Partnership Accounts of CZK 14 million (31 December 2019: CZK 39 million). These are partnerships with other business parties founded for a specific purpose, where the Company is in a leading role. The usage of bank accounts of the Special Partnership Accounts is limited by mutual agreement.

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

As at 31 December 2020 and 31 December 2019, the Company had no available undrawn uncommitted overdraft facility.

As at 31 December 2020 and 31 December 2019, no cash and cash equivalents were pledged.

15. TRADE AND OTHER PAYABLES

In CZK million	31 December 2020	31 December 2019
Trade creditors	4,498	5,764
VAT, other taxes and social security liability	112	108
Other deferred revenue	419	438
Employee wages and benefits	216	213
Other creditors	305	12
Trade and other payables - current	5,550	6,535
Other non-current liabilities	1,575	1,923

Payables to related parties are disclosed in Note 23.

As at 31 December 2020, the financial derivative liability of CZK 300 million is presented in the category Other creditors as a current liability. As at 31 December 2019, the financial derivative liability of CZK 231 million was presented as Other non-current liability.

As at 31 December 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 fiber .

Financial instruments that are subject to an enforceable master netting arrangement or similar agreement include particularly interconnection services. Financial instruments are as follows:

In CZK million	**31 December 2020**	**31 December 2019**
Gross amounts of trade creditors	660	1,191
Amounts that are set off	(418)	(662)
Net amounts of trade creditors	242	529

16. FINANCIAL ASSETS AND LIABILITIES

Financial liabilities

	31 December 2020	**31 December 2019**
In CZK million		
Received loan in local currency	4,819	4,817
Received loan in foreign currency	16,371	15,842
Accrued Interest	22	22
Total financial liabilities	**21,212**	**20,681**
Repayable:		
Within one year	16,393	22
Between one and five years	4,819	20,659
Total financial liabilities	**21,212**	**20,681**

Intercompany loan agreement

On 7 December 2016 the Company entered into an intercompany loan agreement with CETIN Finance B.V. amounting CZK 24,680 million in form of three facilities: maturity 1 year (CZK 2,998 million) with nominal interest rate of 0.2759%, 5 years (EUR 624 million) with nominal interest rate of 1.4881% and 7 years (CZK 4,822 million) with nominal interest rate of 1.451%. The interest rate is fixed over the loan maturity. During 2017 the first facility totalling CZK 2,998 million was repaid.

All conditions resulting from intercompany loan agreement were met as at 31 December 2020.

Reconciliation of movements of liabilities to cash flows arising from financing activities:

In million CZK	**Lease liability**	**Intercompany loan**
Balance at 1 January 2020	**5,172**	**20,681**
Payment of lease liability/Repayment of loan	(647)	-
Interest paid	(152)	(317)
Total changes from financing cash flows	**(799)**	**(317)**
The effect of changes in foreign exchange rates	**15**	**523**
New leases	502	-
Other expenses	-	9
Interest expense	152	316
Total liability-related other changes	**654**	**325**
Balance at 31 December 2020	**5,042**	**21,212**

In million CZK	**Lease liability**	**Intercompany loan**
Balance at 1 January 2019	**4,801**	**20,868**
Payment of lease liability/Repayment of loan	(631)	-
Interest paid	(149)	(307)
Total changes from financing cash flows	**(780)**	**(307)**
The effect of changes in foreign exchange rates	**-**	**(188)**
New leases	1,002	-
Interest expense	149	308
Total liability-related other changes	**1,151**	**308**
Balance at 31 December 2019	**5,172**	**20,681**

Financial risk management

The Company is exposed to a variety of financial risks, including the effects of changes in debt market prices, foreign currency exchange rates and interest rates as a result of ordinary business, debt taken on to finance its business and net investment in foreign operations. The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company. The Company uses either derivative financial instruments or non-derivative instruments (such as cash instruments) to hedge certain exposures.

The Company does not conduct any speculative trading activities.

Risk management is carried out by the treasury department according to the approved Treasury Policy that address specific areas, such as foreign exchange risk, interest rate risk, credit risk, liquidity risk, use of derivative financial instruments and investing excess liquidity.

(i) Foreign currency risk

The Company is exposed to foreign currency risk arising from various currency exposures, primarily with respect to positions at EURO and partially to positions at US dollar:

a) financial position items (such as debt, receivables, payables) denominated in foreign currency,
b) probable forecasted transactions (such as purchases or sales) denominated in foreign currency.

The Company's objective in managing its exposure to foreign currency fluctuations is to minimize reported earnings and cash flow volatility associated with foreign exchange rate changes.

The Company's exposure to currency risk as quantitative data.

In million	**31 December 2020**		**31 December 2019**	
	EUR	**USD**	**EUR**	**USD**
Closing balance of the currency	**-**	**1**	**-**	**1**
Trade receivables	12	4	34	3
Received loans	(624)	-	(624)	-
Trade payables	(34)	(6)	(55)	(5)
Net statement of financial position exposure	**(646)**	**(1)**	**(645)**	**(2)**
Next 12 months forecast sales	59	2	29	1
Next 12 months forecast purchases	(96)	(8)	(57)	(10)
Net forecast transaction exposure	**(37)**	**(6)**	**(28)**	**(9)**
Financial derivatives	534	-	534	-
Net exposure	**(149)**	**(7)**	**(139)**	**(10)**

CZK	**Average rate for the year ended**		**Year-end spot rate**	
	31 December 2020	**31 December 2019**	**31 December 2020**	**31 December 2019**
EUR 1	26.444	25.673	26.245	25.410
USD 1	23.195	22.934	21.387	22.621

The Company also has an exposure to GBP and CHF, but due to its insignificance it is not included in the net position neither used within GAP analysis for the stress position.

The following nominal value of foreign exchange contracts was used by the Company to manage the currency risk:

In CZK million	**Nominal value**	
	31 December 2020	**31 December 2019**
Hedging		
Cross currency SWAP (Note 23)	14,429	14,429

In CZK million	**Fair value**	
	31 December 2020	**31 December 2019**
Hedging		
Cross currency SWAP (Note 23)	(300)	(231)

Derivative transactions are collateralized by cash collateral placed – see Note 13.

Remaining maturity of financial derivatives – contracted amounts (nominal value):

31 December 2020 **In CZK million**	**Within 1 year**	**1 – 5 years**	**More than 5 years**	**Total**
Cross currency swap	14,429	-	-	14,429

31 December 2019 **In CZK million**	**Within 1 year**	**1 – 5 years**	**More than 5 years**	**Total**
Cross currency swap	-	14,429	-	14,429

The following table demonstrates the sensitivity to a reasonably possible change in foreign exchange rates.

In CZK million	**Effect on profit before tax**	
	Year ended 31 December 2020	**Year ended 31 December 2019**
FX risk		
12 forthcoming months „GAP“ analysis*	(203)	(187)

* 12 forthcoming months „GAP“ analysis represent FX risk modeling 5% negative development of EUR/CZK and USD/CZK FX rate.

(ii) Interest rate risk

The Company’s income and operating cash flows are substantially independent of changes in market interest rates. The short term and long term debt as well as cash assets can be maintained on both floating and fixed interest rates. The Company may sometimes use interest rate swaps, forward rate agreements and option based products to manage a desired mix of fixed and variable interest rates.

The Company’s objective in managing its exposure to interest rate fluctuations is to minimize reported earnings and cash flow volatility associated with interest rate changes.

As at 31 December 2020 the Company has been exposed to interest rate risk arising from the debt instruments as guaranteed bonds shall be repaid on 6 December 2021.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates arising from cash investments.

In CZK million	Effect on profit before tax	
	Year ended 31 December 2020	Year ended 31 December 2019
FX risk		
Stress testing*	(149)	(11)

* IR risk used stress scenario represents immediate one-off change of interest rates along the whole yield curve by 1% in an unfavourable direction. The calculation of unfavourable impact on Company cash flows (due to an increase in interest expense or drop in interest received relating to financial assets and financial liabilities) is made each month on a floating basis within a 12 month time frame.

(iii) Liquidity risk

The Company's essential objective of liquidity risk management is having access to the cash resources sufficient to meet all its cash payment obligations as they fall due, allowing some flexibility. The cash resources consist of generated cash position maintained in highly liquid instruments.

The Company is particularly focused on the liquidity profile within the time horizon of the next 12 -18 months considering projected cash flow from operations and maturity structure of both debt obligations and financial investments. The current COVID-19 pandemic neither changed the Company approach to liquidity risk nor called for action of the Company relating to liquidity risk.

The table below summarizes the maturity profile of the Company's financial and trade liabilities at 31 December 2020 based on contractual undiscounted payments. Values include projections of future interests.

As at 31 December 2020 In CZK million	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years
Received loans	-	16,692	4,962	-
Lease liability	230	667	3,507	1,396
Trade and other payables (excluding Deferred revenue)	3,988	1,121	15	7
Total	**4,218**	**18,480**	**8,484**	**1,403**
Non-current other liabilities (excluding Deferred revenue and Derivatives)	-	-	58	-

As at 31 December 2019 **In CZK million**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**> 5 years**
Received loans	-	308	21,124	-
Lease liability	208	714	3,670	1,343
Trade and other payables (excluding Deferred revenue)	4,149	1,922	15	11
Total	**4,357**	**2,944**	**24,809**	**1,354**
Non-current other liabilities (excluding Deferred revenue)	-	-	58	2

In 2020 and 2019, the Company did not have any guarantees to third parties (except for the Cross Guarentee described in Note 23).

The Company's liquidity in the following twelve months is secured by an undrawn committed facility of up to EUR 625 million concluded with the bank syndicate, which will be used for the purposes of repaying the interest bearing loan – see Note 14.

(iv) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial asset fails to meet its contractual obligations, and arises principally from the Company’s trade receivables. The majority of the Company’s customers have been transacting with the Company (respectively with the Demerged company) over a long time period.

The Company trades only with recognized, creditworthy third parties. Receivable balances are monitored on an ongoing basis resulting in an insignificant Company’s exposure to bad debts. The maximum exposure is the carrying amount as disclosed in Note 13. There is no significant concentration of credit risk within the Company in respect to unrelated parties. The Company also has significant trade with companies from the PPF Group (see Note 23), mainly with O2 Czech Republic a.s. which is listed and profitable company and trading with it does not represents any significant credit risk for the Company.

The exposition of the Company to any potential worsening of credit market caused by the current COVID-19 pandemic is limited since the Company as a wholesale provider has business relations with the largest and financially sound partners. In 2020 the age structure of the receivables has not deteriorated. No significant receivables write-offs has been accounted for and the Company has not identified any new significant risk when compared to those of 2019.

With respect to credit risk arising from the financial assets of the Company, which comprise cash and cash equivalents and certain derivative instruments, the Company’s exposure arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Credit Risk is managed by:

- monitoring of accounts receivables: regular monitoring of payment moral of existing customers and monitoring and analyzing of the receivable aging structure (internal and external indicators of any potential bad debts),
- collection process: Collection from active customers is in the competence of the Accounting unit; subsequent collection is the responsibility of the Treasury unit, Legal unit and Accounting unit.

Offset of financial assets and financial liabilities

	Relevant amount offset/not offset in the statement of financial position as at 31 December 2020					
In million CZK	Amount of an asset/liability presented in the statement of financial position	Amount of an asset/liability offset in the statement of financial position	Net amount presented in the statement of financial position	Financial instrume nt	Received/ provided cash collateral	**Total**
Assets						
Positive values of financial derivatives	-	-	-	-	-	**-**
Trade receivables	2,410	(418)	1,992	-	-	**1,992**
Total assets	**2,410**	**(418)**	**1,992**	**-**	**-**	**1,992**
Liabilities						
Negative values of financial derivatives	300	-	300	-	(412)	**(112)**
Trade payables	660	(418)	242	-	-	**242**
Total liabilities	**960**	**(418)**	**542**	**-**	**(412)**	**330**

In million CZK	Amount of an asset/liability presented in the statement of financial position	Amount of an asset/liability offset in the statement of financial position	Net amount presented in the statement of financial position	Financial instrument	Received/ provided cash collateral	Total
	Relevant amount offset/not offset in the statement of financial position as at 31 December 2019					
Assets						
Positive values of financial derivatives	-	-	-	-	-	**-**
Trade receivables	2,731	(662)	2,069	-	-	**2,069**
Total assets	**2,731**	**(662)**	**2,069**	**-**	**-**	**2,069**
Liabilities						
Negative values of financial derivatives	231	-	231	-	(313)	**(82)**
Trade payables	1,191	(662)	529	-	-	**529**
Total liabilities	**1,422**	**(662)**	**760**	**-**	**(313)**	**447**

(v) Fair values estimation

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

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

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

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

As at 31 December 2020 and 31 December 2019, the Company held only foreign currency swap classified as Level 2 financial instruments measured at fair value.

During the reporting period ending 31 December 2020, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

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

In CZK million	31 December 2020					
	Level 1	Level 2	Level 3	Fair value	Carrying amount	Difference
Financial assets						
Cash and cash equivalents	-	-	1,278	1,278	1,278	-
Receivables and other financial assets	-	-	4,082	4,082	4,082	-
Financial liabilities						
Interest bearing loans and borrowings (inc. accruals)	-	21,408	-	21,408	21,212	196
Trade and other payables	-	-	5,550	5,550	5,550	-

In CZK million	31 December 2019					
	Level 1	Level 2	Level 3	Fair value	Carrying amount	Difference
Financial assets						
Cash and cash equivalents	-	-	1,610	1,610	1,610	-
Receivables and other financial assets	-	-	4,735	4,735	4,735	-
Financial liabilities						
Interest bearing loans and borrowings (inc. accruals)	-	20,974	-	20,974	20,681	293
Trade and other payables	-	-	6,535	6,535	6,535	-

The fair value of borrowings as at 31 December 2020 and 31 December 2019 has been determined by market value of bonds which are traded on the public market.

Financial instruments in fair value

In CZK million	Fair value 31 December 2020			Fair value 31 December 2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Positive fair values of financial derivative instruments	-	-	-	-	-	-
Negative fair values of financial derivative instruments	-	300	-	-	231	-

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

17. DEFERRED INCOME TAXES

Short-term and long-term deferred taxes were calculated at a tax rate 19% (valid for Czech Republic) as at 31 December 2020 and 31 December 2019.

In CZK million	**31 December 2020**	**31 December 2019**
Opening balance	6,202	6,202
Profit or loss tax charge	(17)	14
Valuation gain/(losses) – cash flow hedge	(98)	(14)
Closing balance	**6,087**	**6,202**

The following amounts, determined after offsetting, are shown in the statement of financial position:

In CZK million	**31 December 2020**	**31 December 2019**
Deferred tax liabilities	6,087	6,202
Total	**6,087**	**6,202**

The deferred tax liability includes CZK 158 million (31 December 2019: CZK 39 million) to be realized in less than twelve months and CZK 5,929 million (31 December 2019: CZK 6,163 million) to be realized in more than twelve months.

The deferred tax is determined by these components:

In CZK million	**Statement of financial position**	
	31 December 2020	**31 December 2019**
Temporary differences relating to:		
Property, plant and equipment	6,119	6,103
Intangible assets	121	129
Trade receivables, inventories, provisions and other differences	(146)	(149)
Leasing	(28)	-
Valuation gain/(losses) – cash flow hedge	21	119
Total	**6,087**	**6,202**

In CZK million	**Statement of total comprehensive income**	
	Year ended 31 December 2020	**Year ended 31 December 2019**
Temporary differences relating to:		
Property, plant and equipment	15	14
Intangible assets	(8)	18
Trade receivables, inventories, provisions and other differences	4	(18)
Leasing	(28)	-
Total	**(17)**	**14**

18. PROVISIONS

In CZK million	Asset retirement obligation	Other provisions	Total
As at 1 January 2019	**360**	**101**	**461**
Additions during the year	-	5	5
Utilised during the year	(25)	(41)	(66)
Change of estimate	32	-	32
As at 31 December 2019	**367**	**65**	**432**
Additions during the year	12	111	123
Utilised during the year	(25)	(55)	(80)
Released during the year	-	(10)	(10)
Change of estimate	27	-	27
As at 31 December 2020	**381**	**111**	**492**

In CZK million	Asset retirement obligation	Other provisions	Total
As at 31 December 2020			
Short-term provisions	5	111	116
Long-term provisions	376	-	376
	381	**111**	**492**
As at 31 December 2019			
Short-term provisions	25	52	77
Long-term provisions	342	13	355
	367	**65**	**432**

The Company recognized provision for estimated cost of dismantling and removing assets and restoring sites of CZK 381 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 dismantling and removing of assets. In accordance with the plan of the liquidation of the sites within the network sharing project, the utilization of provision was of CZK 4 million (31 December 2019: CZK 11 million). Due to increase of rented premises, the Company further refined the provision for dismantling, removing tangible assets and restoring them in technological buildings by CZK 12 million and utilizated provision by CZK 21 million (31 December 2019: CZK 14 million). In 2019, the provision decreased due to change of costs estimate by CZK 10 million.

Due to an update of discount rate the provision increased by CZK 27 million (31 December 2019: CZK 42 million).

During 2020 the Company utilized provision for costs connected with removal of CZK 33 million, the residual amount of CZK 10 million was released. This provision represented costs which occured 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. Other provisions include above all the provision for redundancy cost of CZK 100 million (31 December 2019: CZK 17 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.

19. 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 was held in September 2020 in this case. The proceeding conducted by European Commission is still ongoing.

In a relation with the bonds issued in 2016 by the subsidiary CETIN Finance B.V., the Company provided a guarantee that, in case of non-fulfillment of the obligations of CETIN Finance B.V. arising from the bonds issue, the Company is responsible for fulfilling these obligations. Cash, which the subsidiary CETIN Finance B.V. received from the bond issue, was fully provided to the Company in a form of intercompany loan (see Note 16).

20. 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. More information is described in Note 3g – Leases.

Amounts recognized in profit or loss:

In CZK million	As at 31 December 2020	As at 31 December 2019
Interest on lease liability	152	149
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	2	1

Amounts recognized in statement of cash flows:

In CZK million	As at 31 December 2020	As at 31 December 2019
Total cash outflow for leases under IFRS 16	(799)	(780)

The lease liability arising from leases under IFRS 16 between related parties is disclosed in Note 23.

Operating leases:

As at 31 December 2020

In CZK million	Less than 1 year	1 to 5 years	Over 5 years
Operating leases - lessor	104	178	61

As at 31 December 2019

In CZK million	Less than 1 year	1 to 5 years	Over 5 years
Operating leases - lessor	101	152	93

Capital expenditure contracted but not yet recognized in the financial statements as at 31 December 2020 amounted to CZK 550 million (31 December 2019: CZK 546 million). The majority of contracted amounts relates to telecommunication networks and service contracts.

21. REGULATED SERVICES

The Company performs communication activities as defined in the Act on Electronic Communications based on a notification and a certificate from the Czech Telecommunications Office (CTO) no. 3987/1 as amended by later changes n. 3987/2.

The communication activities include (within the territory of the Czech Republic):

1. Public fixed communications network,
2. Public network for radio and TV signal broadcasting transmission,
3. Public access for electronic communications services
    a) Other voice services
    b) Leased lines
    c) Radio and TV signal broadcasting
    d) Data transmission

   e) Internet access services
   f) Publicly available telephone service
4. Non-public access for electronic communications services
   a) Other voice services
   b) Leased line
   c) Radio and TV signal broadcasting
   d) Data transmission
   e) Internet access services

The activities of the Company are subject to statutory regulation and supervision by the Czech national regulatory authority, the CTO. The CTO is an independent regulatory body that regulates electronic communications and postal services in the Czech Republic. The relevant regulatory framework is set forth mainly in the Act No. 127/2005 Coll. on Electronic Communications and other changes in some related legislation, together with secondary legislation and decisions of the CTO. As a member state of the European Union, the Czech Republic is subject to EU telecommunications regulation and the Electronic Communications Act thus implements the EU regulatory framework into the Czech legal system.

For certain revenues streams there is price regulation in the form of the maximum allowed price imposed by CTO. These streams are:

- call termination in individual public telephone networks provided at a fixed location
- provision of co-location services

There is also further set maximal price gap between related services - e.g. xDSL.

22. EQUITY

	31 December 2020	**31 December 2019**
Nominal value per ordinary registered share (CZK)	10	10
Number of shares	310,220,067	310,220,067
Ordinary share capital (in CZK million)	3,102	3,102

Shareholders of the Company were as follows:

	31 December 2020	**31 December 2019**
CETIN Group B.V.	89.7%	89.7%
PPF A3 B.V.	10.3%	10.3%

On 1 July 2020 the majority shareholder changed its registered name from PPF Infrastructure B.V. to CETIN Group B.V.

Capital management

The Company’s objectives when managing its capital are:

a) to safeguard the Company’s ability to continue as a going concern so that it can provide value for its shareholders, and
b) to comply with all relevant legal requirements.

The investment strategy of the Company in respect of managing its capital is to focus its investment activities on areas with the highest added value. That is on areas where the Company is currently strong and can utilize its scale and on areas with high growth potential. These areas are mainly improvement and development of fixed and mobile broadband infrastructure for wholesale customers of the Company. These are namely increasing the availability of high speed fixed internet via installing fibre access (FTTH), via significant remote DSLAMs rollout and the construction of a new generation 5G mobile network along with the extensive modernization of the radio access network (RAN). In the mobile network will also continue the further deployment of LTE network for mobile broadband. At the end of 2018 the Company started to implement WTTx technology (using 3,7 GHz frequency) that enables Company wholesale customers to introduce new services thus generating new revenues. The WTTx complements the technology mix in the Company network. The most common use of the WTTx will be to secure high-speed internet access enabling upload and download of large amounts of data especially in locations that are not covered by fixed broadband using FTTx. The WTTx build out will be ongoing in 2021. Additional investments into technology upgrades, as well as internal systems development and efficiency projects are also among the objectives of capital management.

In the following periods, the Board of Directors will continue to make in-depth analysis and assessment of the current and forecasted results of the Company, including any potential investments and their impact on cash flow generation and will optimize the capital structure to serve the purpose of achieving these plans.

There are no other specific objectives. The Company realizes certain investments and transactions to comply with all relevant legal requirements and its contractual obligations.

The Company is not subject to any externally imposed capital requirements.

Retained earnings

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 payment was proceeded in three installments, CZK 2,000 million on 6 May 2020, CZK 600 million on 31 August 2020 and CZK 194 million on 30 September 2020.

Gains and Losses from revaluation arising from Cash Flow Hedges

In CZK million	**2020**	**2019**
The fair value of the effective part of cash flow hedges at 1 January	626	700
Deferred tax asset/(liability) arising from revaluation gains and losses at 1 January	(119)	(133)
Total balance at 1 January	**507**	**567**
Net profit/(loss) from the change in the fair value of a hedge instruments for the period		
Cross currency swap	(515)	(74)
Accumulated net profitn/(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	98	14
The fair value of the effective part of cash flow hedges at 31 December	111	626
Deferred tax asset/(liability) arising from revaluation gains and losses at 31 December	(21)	(119)
Total balance at 31 December	**90**	**507**

The Company started applying hedge accounting upon cash flow hedges in 2016.

Other funds

As at 31 December 2020 other funds of CZK 14,615 million (31 December 2019: CZK 14,615 million) represent other capital funds created from the contributions provided by shareholders.

23. RELATED PARTY TRANSACTIONS

The companies CETIN Group B.V. and PPF A3 B.V., through which Mr. Petr Kellner is the controlling party of the Company, are parts of PPF Group and are under common control of the 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

	Assets/Liabilities as at	
In CZK million	**31 December 2020**	**31 December 2019**
Receivables from provided services		
Other companies in PPF Group	977	1,165
of which: O2 Czech Republic a.s.	859	1,076
Payables from purchased services		
Subsidiaries	-	3
Other companies in PPF Group	412	370
of which: O2 Czech Republic a.s.	246	284
Negative fair value of derivatives		
Other companies in PPF Group (Note 16)	300	231
Nominal value of derivatives		
Other companies in PPF Group (Note 16)	14,429	14,429
Cash equivalents		
Other companies in PPF Group	1,266	1,571
Right of use		
Other companies in PPF Group	29	32
Received loans		
Subsidiaries (Note 16)	21,212	20,681
Lease liability		
Other companies in PPF Group	30	32

	Volume of mutual transactions	
In CZK million	**Year ended 31 December 2020**	**Year ended 31 December 2019**
Sale of services (revenues and other income)		
Other companies in PPF Group	10,291	10,584
of which: O2 Czech Republic a.s.	9,665	9,932
Purchase of services		
Subsidiaries	-	-
Other companies in PPF Group	732	830
of which: O2 Czech Republic a.s.	160	218
Interests from received loans		
Subsidiaries	316	308
Net gain/loss on fair value of derivatives		
Other companies in PPF Group	(3)	-

There have been no transactions with parent company (CETIN Group B.V.) in 2020 and 2019.

Receivables and payables relating to the sale and purchase of goods and services are included in trade receivables and payables described in Note 13 and 15.

In connection with bonds issued the Company granted a guarantee to its subsidiary CETIN Finance B.V. (see Note 19).

The Company has a long-term liability that is due in less than five years in respect of received loan from CETIN Finance B.V. which is described in Note 16.

For the year ended 31 December 2020, capital expenditures from related parties amounted to CZK 0 million (31 December 2019: CZK 0 million).

In connection with Separation new business relations with O2 Czech Republic were established as of 1 January 2015 by virtue of the purchase of fixed and mobile telecommunications services and other services. These services are provided based on wholesale agreements and represent significant revenues for the Company.

Amongst the most important wholesale agreements are the following:

a) mobile network services agreement

The subject of agreement is the provision of a service of coverage by mobile CDMA, 2G, 3G and LTE signal in the Czech Republic. The agreement also contains arrangements about development, operation and maintenance of the network, transfer capacity of the network, new services, extension of new services and collocation. The agreement is concluded for a period of 30 years. The Company is obliged to provide the services for a period of 7 years for an annual fixed payment of CZK 4.4 billion.

b) agreement on the access to the public fixed communications network (so-called MMO)

The subject of the MMO agreement is access to the public fixed communications network of CETIN, provision of the wholesale service of interconnection at the end point, and the wholesale service of access to publicly available services of electronic communications and related additional services. The agreement is concluded for an indefinite period, where the Company pays monthly charges (number of access points multiplied by unit price) and undertakes to draw at least 640,000 xDSL lines for a period of 7 years after signing the agreement (which represents only part of the total payment).

c) agreement on access to end points (so-called RADO) and others.

The Company enables O2 Czech Republic access to end points, which include provision of transfer capacity between the end point of the electronic communications network and the transfer point located in a collocation within the area of a single region. The agreement is concluded for an indefinite period. The Company will receive one-off fee for establishment, speed change, relay or relocation of the end point and regular monthly fees for provided sections based on transfer speed.

One of the legal consequences of the Separation was the creation of the Cross Guarantee, whereby the Company guarantees the monetary and non-monetary debts of O2 Czech Republic that remain O2 Czech Republic. The Cross Guarantee is a secondary liability for the Guarantor, covering the monetary and non-monetary debts existing at the date of the Separation (1 June 2015).

The Cross Guarantee is limited to the value of the net assets that passed to the Company during the Separation, assessed by expert valuation as CZK 46.9 billion. As of the date of the Separation (1 June 2015), the total monetary debts of O2 Czech Republic amounted to CZK 12.6 billion, of which CZK 3.2 billion were long-term liabilities, including long-term loans in the amount of CZK 3.0 billion. CZK 9.4 billion were short-term liabilities, including short-term loans in the amount of CZK 4.0 billion. As of 30 September 2016, both loans have been repaid.

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

	Year ended 31 December 2020	Year ended 31 December 2019
Remuneration in CZK million		
Board of directors	22	17
Supervisory board	-	-
Key management	39	31
Number of members		
Board of directors	4	3
Supervisory board	3	3
Key management	10	9

No loans were provided to members of the Board of Directors and Supervisory Board in 2020 and 2019.

24. SUBSIDIARIES

As at 31 December 2020

Subsidiaries		Company's interest	Cost of investment in CZK million	Country of incorporation	Activity
1.	CZECH TELECOM Germany GmbH i. L.	100%	10	Germany	Data transmission services
3.	CETIN Finance B.V.	100%	56	Netherlands	Financial services
4.	CETIN služby s.r.o.	100%	*0	Czech Republic	Other services
4.	STEL-INVEST s.r.o.	100%	30	Czech Republic	Other services

*200 ths CZK

As at 31 December 2019

Subsidiaries		Company's interest	Cost of investment in CZK million	Country of incorporation	Activity
1.	CZECH TELECOM Germany GmbH i. L.	100%	10	Germany	Data transmission services
3.	CETIN Finance B.V.	100%	56	Netherlands	Financial services
4.	CETIN služby s.r.o.	100%	*0	Czech Republic	Other services
4.	STEL-INVEST s.r.o.	100%	15	Czech Republic	Other services

*200 ths CZK

On 7 May 2019 the Company acquired 100% interest in STEL-INVEST s.r.o. for CZK 15 million. STEL-INVEST s.r.o. is one the significant suppliers for telecommunication network deployment. In February 2020 the Company made an additional payment outside of the Registered Capital amounted to CZK 10 million. In May 2020 the contractual conditions for the purchase price increase were fulfilled and the Company paid the purchase price amounted to CZK 5 million.

On 11 December 2018 the Board of Director's decided to liquidate the subsidiaries CZECH TELECOM Germany GmbH by 31 December 2018. The process of liquidation should be finalized within 2021 in accordance with legal regulations in the individual countries. The provision to the purchase price of this subsidiary was created in the amount of CZK 3 million.

25. MATERIAL SUBSEQUENT EVENTS

The subsidiary STEL-INVEST s.r.o. was merged with CETIN a.s. with effect from 1 February 2021 as part of a domestic merger. The decisive date of this merger was 1 January 2021.

No other subsequent events have occurred after the balance sheet date with the material impact to the financial statements for the year ended 31 December 2020.