Česká telekomunikační infrastruktura a.s.

Consolidated Half-Yearly Report 2019

Contents

Note:

Česká telekomunikační infrastruktura a.s. is also hereinafter referred to as "**CETIN**" or the "**Company**". CETIN and its hereinafter specified subsidiaries are hereinafter also referred to as the "**CETIN Group**".

Business overview

Factors affecting business activities and results in the first half of 2019

Telecommunications market in the Czech Republic

In the first half of 2019, significant developments in the Czech telecommunications market included the notification of a merger between Vodafone and UPC Česká republika, which was approved by the European Commission in July. Also, the Czech Telecommunication Office ("CTO") published for consultation draft text of the Invitation to Tender for Granting of the Rights to Use Radio Frequencies to Provide Electronic Communications Networks in the 700 MHz and 3400–3600 MHz Frequency Bands and draft accompanying cost model. The CTO expects the auction to result in the entry of a new mobile network operator in the market. The mobile market has continued to experience robust expansion of network capacity and density. CETIN continues increasing the speed of its fixed network connections, offering access speed of up to 1 Gbps.

The development of regulation and associated legislation

In the first half of 2019, the CTO initiated the analyses of relevant wholesale markets of termination in fixed and mobile networks, which are in progress. The Company remains designated as having significant market power and complies with regulatory obligations imposed on the Company as a result of these analyses and measures in the relevant markets for wholesale services with local access at a fixed location, market for services with central access at a fixed location for mass-market products and the market for wholesale high quality data services. This involves obligations to provide physical and broadband access to the infrastructure and leased lines under the terms and conditions set by the remedy decisions.

State policy and support of high-speed Internet access

In the first half of 2019, the Ministry of Industry and Trade published a second call for projects for deploying high-speed networks in white areas financed from the Operational Programme Enterprise and Innovations for Competitiveness. The call was closed on 8 July 2019. The Company submitted several projects to increase the coverage by high speed networks in the designated intervention areas. The final results of the call are expected in the second half of 2019.

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

Business activities of the Company

CETIN Group comprises Česká telekomunikační infrastruktura a.s. and its subsidiaries CZECH TELECOM Germany GmbH (in process of liquidation), CZECH TELECOM Austria GmbH (in process of liquidation), CETIN Finance B.V., CETIN služby s.r.o. a STEL-INVEST s.r.o. CETIN registered permanent establishmenst in Germany and Austria. A predominant share of Company's services in the first half of 2019 was provided through communications networks and related assets in the Czech Republic. The permanent establishments in Germany and Austria allow the Company to operate its point of presence abroad for provision of international transit services to foreign operators. The subsidiary CETIN Finance B.V., based in the Netherlands, issued Eurobonds in 2016 and secured funding for the Company. The subsidiary CETIN služby s.r.o. did not engage in business activities in the first half of 2019.

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 services.

The Company's revenues and profits in the first half of 2019 were mainly generated from three major contracts with O2 Czech Republic a.s.: a contract on the provision of mobile network services, a contract on access to the public fixed-line telecommunication network, and a contract on the provision of data centre services. The contracts represent a long-term obligation on the part of O2 Czech Republic a.s. to use the Company's services and the commitment of the Company to the agreed service levels and their improvement.

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

Commented financial results

This section provides comments on the financial results of CETIN Group in the first half of 2019. For detailed information, see the Interim consolidated Financial Statements for the financial year ended on 30 June 2019 in the following sections of this Half-yearly Report.

Revenues, costs and profit

The total revenues of the CETIN Group amounted to CZK 8.9 billion in the first half of 2019. Total operating costs reported by CETIN Group were CZK 4.7 billion, with the major part represented by cost of sales in the international transit segment. CETIN Group reported a total of CZK 0.6 billion of payroll costs. Other significant cost items were the property leases, maintenance and operation and network operating and maintenance expenses.

The operating profit before impairment loss, interest, tax, depreciation and amortization (EBITDA) amounted to CZK 4.2 billion in the first half of 2019, with the predominant part of the profit coming from the national network services segment. CETIN Group's profit after tax amounted to CZK 1.4 billion in the first half of 2019.

Fixed tangible assets

Reduced by depreciation and other adjustments during the year, the net value of land, buildings and equipment required for the operations of the Company was CZK 48.2 billion as of 30 June 2019.

Cash and debt

In 2016, CETIN's subsidiary CETIN Finance B.V. issued Eurobonds in the total amount of CZK 7.9 billion and EUR 625 million, with maturities of 1 year (CZK 3 billion), 5 years (EUR 625 million), and 7 years (CZK 4.9 billion). The bonds are admitted to trading at Irish Stock Exchange. In case of CETIN Finance B.V. defaulting on the bond related liabilities, CETIN will be obliged to meet the liabilities as a guarantor. The foreign exchange risk of the bonds is hedged using derivatives. The first tranche (CZK 3 billion) has been repaid in December 2017.

As at 30 June 2019 the Company has no financial commitments.

For detailed information on loans and bonds, see Note 14 of the Notes to the Financial Statements included herein.

Profit distribution and other payments to shareholders

The General Meeting held on 22 March 2019 decided on the distribution of the unconsolidated profit of the Company for 2018. The contribution to the social fund was CZK 3.4 million and the dividend was CZK 2.54 billion. The first instalment in the amount of CZK 1.9 billion was paid on 29 March 2019.

Capital expenditure

In the first half of 2019, CETIN Group acquired fixed assets in the amount of CZK 1.8 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 technologies, increasing mobile network capacity and density and upgrading outdated technologies.

Cash flows

The net cash flow from operating activities of CETIN Group amounted to CZK 3.5 billion in the first half of 2019. The cash flows used in investment activities amounted to CZK 1.8 billion, mainly comprising investments in network infrastructure development of CZK 1.9 billion. The cash flows used in financing activities consisted of the dividend payments of CZK 1.9 billion and expenditures of CZK 0.1 billion related to hedging of Eurobonds foreign exchange risk.

In total, the net cash position of CETIN Group in the first half of 2019 has decreased by CZK 1.0 billion. The cash flows from CETIN Group's operating activities were thus used mainly for investment in the telecommunications infrastructure development and for dividend payment.

Outlook for the forthcoming period

The Company will continue focusing on further modernisation and development of the telecommunication infrastructure and on increasing the efficiency of its operations. In terms of commercial performance, the Company will continue to maintain and improve the level of satisfaction of its existing customers with the provided services, while actively endeavouring to attract new customers in both commercial segments. The Company expects to continue maintaining its position in the Czech telecommunications market through the best and most extensive networks, attractive products and services 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.

The Company expects that its main investments in the forthcoming period will continue to be channelled into modernising existing fixed-line networks, mainly by increasing the connection speed by installing remote DSLAMs and reinforcing the backbone network in line with the expected increase of demand for transmission capacity of the network. The Company will also focus on the deployment of FTTH connection in suitable locations and projects. The Company will continue to invest substantially in further development of the 4G/LTE mobile network.

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

In terms of the financial results, the Company expects its performance to be in line with the trend of the first half of 2019. The continued decline of demand for fixed-line voice services in a part of the domestic market will be partly compensated by the growth in other segments of the market and by growing revenue from data services and mobile network services. The continued competitive pressure on margins in the international voice transit market will be compensated in the medium term by entering markets in new regions and a new operating model of cooperation with international operators.

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

Statement by the persons responsible for the half-yearly report

Juraj Šedivý, chairman of the Board of Directors of Česká telekomunikační infrastruktura a.s.

and

Filip Cába, vice-chairman of the Board of Directors of Česká telekomunikační infrastruktura a.s.

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

Juraj Šedivý

Chairman of the Board

Filip Cába

Vice-chairman of the Board

Appendix:

Interim consolidated financial statements

Česká telekomunikační infrastruktura a.s.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

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

TABLE OF CONTENT

CONSOLIDATED STATEMEMT OF TOTAL COMPREHENSIVE INCOME

In CZK million	Note	For the period ended 30 June 2019	30 June 2018
Revenues		8,869	9,924
Other income from non-telecommunication services		78	112
Expenses		(4,728)	(6,273)
Earnings before impairment loss, interest, tax, depreciation and amortization (*EBITDA*)		**4,219**	**3,763**
Depreciation and amortisation		(2,285)	(2,095)
Impairment loss		(11)	(7)
Operating profit (*EBIT*)		**1,923**	**1,661**
Finance income		34	3
Finance costs		(225)	(231)
Profit before tax		1,732	1,433
Corporate income tax	6	(332)	(265)
Profit for the period		**1,400**	**1,168**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Translation differences		-	-
Gains / (losses) on valuation differences from cash flow hedges	14	12	226
Related deferred tax		(2)	(43)
Other comprehensive income, net of tax		**10**	**183**
Total comprehensive income, net of tax		**1,410**	**1,351**
Profit attributable to:			
Equity holders of the Company		1,400	1,168
Total comprehensive income attributable to:			
Equity holders of the Company		1,410	1,351

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at	
In CZK million	**Note**	**30 June 2019**	**31 December 2018**
ASSETS			
Property, plant and equipment	8	48,180	48,633
Intangible assets	9	1,595	1,616
Goodwill		11	-
Right of use		4,589	-
Other assets	11	530	467
Non-current assets		**54,905**	**50,716**
Inventories	10	62	56
Receivables, including derivative	11	3,519	3,392
Income tax receivable		2	1
Cash and cash equivalents	12	948	1,650
Current assets		**4,531**	**5,099**
Non-current assets held for sale		**25**	**26**
Total assets		**59,461**	**55,841**
EQUITY AND LIABILITIES			
Share capital		3,102	3,102
Reserves	14	574	564
Other funds		14,620	14,620
Retained earnings		1,407	2,552
Total equity		**19,703**	**20,838**
Long-term financial debts	14	20,706	20,869
Deferred tax liability		6,195	6,203
Non-current provisions for liabilities and charges	15	387	376
Lease liability	13	4,608	-
Non-current other liabilities, including derivative	13	1,629	1,561
Non-current liabilities		**33,483**	**29,009**
Short-term financial debts	14	166	21
Trade and other payables	13	5,861	5,824
Income tax liability		90	64
Provisions for liabilities and charges	15	116	85
Current liabilities		**6,275**	**5,994**
Total liabilities		**39,758**	**35,003**
Total equity and liabilities		**59,461**	**55,841**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2019

In CZK million	Note	Share capital	Foreign exchange translation reserve	Hedging reserve	Other capital funds	Retained earnings	Total
As at 1 January 2019		**3,102**	**(3)**	**567**	**14,620**	**2,552**	**20,838**
Profit for the period		-	-	-	-	1,400	1,400
Other comprehensive income		-	-	10	-	-	10
Total comprehensive income		**-**	**-**	**10**	**-**	**1,400**	**1,410**
Dividends declared	7	-	-	-	-	(2,542)	(2,542)
Other distribution	7	-	-	-	-	(3)	(3)
As at 30 June 2019		3,102	**(3)**	**577**	**14,620**	**1,407**	**19,703**

For the period ended 30 June 2018

In CZK million	Note	Share capital	Foreign exchange translation reserve	Hedging reserve	Other capital funds	Retained earnings	Total
As at 1 January 2018		**3,102**	**(3)**	**389**	**14,620**	**2,725**	**20,833**
Profit for the period		-	-	-	-	1,168	1,168
Other comprehensive income		-	-	183	-	-	183
Total comprehensive income		**-**	**-**	**183**	**-**	**1,168**	**1,351**
Dividends declared	7	-	-	-	-	(2,720)	(2,720)
Other distribution	7	-	-	-	-	(5)	(5)
As at 30 June 2018		**3,102**	**(3)**	**572**	**14,620**	**1,168**	**19,459**

CONSOLIDATED STATEMENT OF CASH FLOWS

In CZK million	**Note**	**For the period ended**	
		30 June 2019	**30 June 2018**
Profit for the year		1,400	1,168
Non-cash adjustments for:			
Depreciation and amortisation		2,285	2,095
Impairment loss		11	7
Profit on sale of property, plant and equipment		(18)	(28)
Net finance revenues		218	151
Foreign exchange losses (net)		(27)	77
Other non-cash adjustments		13	16
Tax expense		332	265
Operating cash flow before working capital changes		**4,214**	**3,751**
Working capital adjustments:			
Change in trade and other receivables		(119)	(114)
Change in inventories		(6)	(17)
Change in trade and other payables		(250)	232
Change in provisions		(39)	(20)
Cash flows from operating activities		**3,800**	**3,832**
Income tax paid		(316)	(193)
Net cash flow from operating activities		**3,484**	**3,639**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangibles		(1,777)	(1,924)
Proceeds from sales of property, plant and equipment and intangible assets		15	28
Investment in subsidiaries		(15)	-
Net cash used in investing activities		**(1,777)**	**(1,896)**
Cash flows from financing activities			
Interest paid		(74)	-
Other financial transactions		14	6
Cash collateral placed due to derivatives transactions	11	(87)	162
Dividends paid	7	(1,900)	(2,000)
Lease payments		(362)	-
Net cash used in financing activities		**(2,409)**	**(1,832)**
Net increase in cash and cash equivalents	12	**(702)**	**(89)**
Cash and cash equivalents at beginning of year		1,650	843
Cash and cash equivalents at the period end	12	**948**	**754**

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

Česká telekomunikační infrastruktura 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 Olšanská 2681/6, Praha 3, 130 00, Czech Republic.

The majority shareholder of the Company as at 30 June 2019 is PPF Infrastructure B.V. (part of the PPF Group).

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

The interim consolidated financial statements are not audited.

2. BASIS OF PREPARATION

These interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2018.

They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

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

Use of estimates, assumptions and judgements

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

Significant estimates and judgements made by the Group in accordance with application of Group's accounting policies are consistent with estimates and assumptions used for annual consolidated financial statements for the year ended 31 December 2018.

Seasonality

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

3. SIGNIFICANT ACCOUNTING POLICIES

The Group adopted new accounting standards IFRS 16 Leases which is valid from 1 January 2019. All other accounting policies used in the preparation of the interim consolidated financial statements are consistent with all principles used for the annual financial statements for the year ended 31 December 2018.

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

IFRS 16 Leases

The new IFRS 16 - Leases is mandatory for annual periods beginning on or after 1 January 2019 and replaces all existing IFRS lease requirements for both the lessees and the lessors. IFRS 16 provides a single balance sheet accounting model for leases. In the case where the Group is the lessee, it accounts for the right to use the asset, which represents its right to use the underlying asset and for the liability under the lease, which expresses the obligation to pay the lease payments.

The Group has adopted the new IFRS 16 using a modified retrospective method. Comparable data for the previous period has not been adjusted. Thus, as of 1 January 2019, it newly recognises assets and liabilities mainly from operating leases of land, non-residential premises, easements, telecommunication technology, collectors and vehicles. The nature of these related costs has changed; the Group newly recognizes the depreciation of the right-of-use assets and interest expense of lease liabilities, instead of operating costs (included in EBITDA) reported before.

The table of transition to IFRS 16:

In CZK million	
Minimum lease payments under operating leases as at December 31 2018	**4,864**
IFRS 16 non applicable leases	(150)
Effect from discount interest rate application	(1,029)
Effect from probable usage of the lease renewal options	1,116
Lease liabilities (IFRS 16) as at 1 January 2019	**4,801**

The opening balance of the right-of-use assets as at 1 January 2019 was equal to the opening balance of the lease liabilities (IFRS 16) at the amount of CZK 4,801 million.

New IFRS not effective as at 30 June 2019 (includes standards applicable to the Group)

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

4. SEGMENT INFORMATION

The Group recognises two main operating segments:

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

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

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

II. The financial risk exposure of the international transit business is significantly lower compared to the core business of the Group. The impact of the potential impairment of carrying value of assets related to the international transit business is marginal as the international transit business is capital light.

III. Discrete financial information is available for the international transit business and the management assesses its performance and makes decisions about the resources to be allocated to this segment separately, with no impact on the core business of the Group.

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

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

Period ended 30 June 2019	**Domestic services**	**International transit**	**Total reportable segments**	**Reconciling items**	**Group**
In CZK million					
Revenues	5,839	3,030	8,869	-	8,869
Other income from non-telecommunication services	-	-	-	78	78
Total costs	(1,754)	(2,896)	(4,650)	(78)	(4,728)
Earnings before impairment loss, interest, tax, depreciation and amortization (*EBITDA*)	**4,085**	**134**	**4,219**	**-**	**4219**
Total depreciation and amortization	(2,274)	(11)	(2,285)	-	(2,285)
Impairment charge	(11)	-	(11)	-	(11)
Operating income (EBIT)	**1,800**	**123**	**1,923**	**-**	**1,923**
Net financial income					(191)
Profit before tax					1,723
Corporate income tax					(332)
Profit for the period					**1,400**
Capital expenditure (Fixed assets additions)	**1,439**	**-**	**1,439**	**-**	**1,439**
As at 30 June 2019					
Total assets	**58,289**	**1,172**	**59,461**	**-**	**59,461**
Trade and other payables	4,842	1,019	5,861	-	5,861
Other liabilities	33,897	-	33,897	-	33,897
Total liabilities	**38,739**	**1,019**	**39,758**	**-**	**39,758**

Period ended 30 June 2018	**Domestic services**	**International transit**	**Total reportable segments**	**Reconciling items**	**Group**
In CZK million					
Revenues	5,761	4,163	9,924	-	9,924
Other income from non-telecommunication services	-	-	-	112	112
Total costs	(2,127)	(4,034)	(6,161)	(112)	(6,273)
Earnings before impairment loss, interest, tax, depreciation and amortization (*EBITDA*)	**3,634**	**129**	**3,763**	**-**	**3,763**
Total depreciation and amortization	(2,076)	(19)	(2,095)	-	(2,095)
Impairment charge	(7)		(7)	-	(7)
Operating income (EBIT)	**1,551**	**110**	**1,661**	**-**	**1,661**
Net financial income					(228)
Profit before tax					1,433
Corporate income tax					(265)
Profit for the period					**1,168**
Capital expenditure (Fixed assets additions)	**1,697**	**-**	**1,697**	**-**	**1,697**
As at 30 June 2018					
Total assets	**53,077**	**1,110**	**54,187**	**-**	**54,187**
Trade and other payables	4,696	862	5,558	-	5,558
Other liabilities	29,170	-	29,170	-	29,170
Total liabilities	**33,866**	**862**	**34,728**	**-**	**34,728**

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

Revenues from one customer from segment Domestic services and International transit represent more than 10% of Group’s revenues. For the period ended 30 June 2019 these revenues are CZK 4,975 million (30 June 2018: CZK 5,011 million).

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

Revenues **In CZK million**	**Period ended** **30 June 2019**	**Period ended** **30 June 2018**
Czech Republic	6,153	6,075
Germany	261	661
Slovakia	185	393
Other EU countries	1,691	1,709
Switzerland	124	565
Other Non-EU countries	455	521
Total revenues	**8,869**	**9,924**

5. REVENUES

Categorization of revenue from contracts with customers

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

Revenues **In CZK million**	**Period ended** **30 June 2019**	**Period ended** **30 June 2018**
Domestic service		
Revenues from mobile network services	2,428	2,329
Revenues from fixed network mass service	2,223	2,245
Revenues from data services	688	690
Other telecommunication revenues	500	497
	5,839	**5,761**
International transit		
Revenues from transit services	**3,030**	**4,163**
Celkem	**8,869**	**9,924**

Revenues from related parties are disclosed in Note 18.

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

Revenues **In CZK million**				**Period ended** **30 June 2019**
Domestic service	**Czech Republic**	**EU**	**Non EU**	**Total**
Revenues from mobile network services	2,428	-	-	2,428
Revenues from fixed network mass service	2,223	-	-	2,223
Revenues from data services	648	39	1	688
Other telecommunication revenues	492	8	-	500
	5,791	**47**	**1**	**5,839**
International transit	**Czech Republic**	**EU**	**Non EU**	**Total**
Revenues from transit services	362	2,090	578	3,030
Total	**6,153**	**2,137**	**579**	**8,869**

Revenues **In CZK million**				**Period ended** **30 June 2018**
Domestic service	**Czech Republic**	**EU**	**Non EU**	**Total**
Revenues from mobile network services	2,329	-	-	2,329
Revenues from fixed network mass service	2,245	-	-	2,245
Revenues from data services	656	23	11	690
Other telecommunication revenues	489	8	-	497
	5,719	**31**	**11**	**5,761**
International transit	**Czech Republic**	**EU**	**Non EU**	**Total**
Revenues from transit services	314	2,150	1,699	4,163
Total	**6,033**	**2,181**	**1,710**	**9,924**

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

6. INCOME TAX

In CZK million	Period ended 30 June 2019	Period ended 30 June 2018
Total income tax expense is made up of:		
Current income tax charge	342	300
Deferred income tax credit	(10)	(35)
Income Tax	332	265

Deferred tax was calculated at a 19% tax rate (valid for Czech Republic) as at 30 June 2019 and 30 June 2018.

7. DIVIDEND DISTRIBUTION

In CZK million	The period ended 30 June 2019	The period ended 30 June 2018
Dividends from the profit (approved)	2,542	2,720
Distribution of other capital funds (approved)	3	5
Total	2,545	2,725

Approval of 2018 profit and the dividend distribution was made at the General Meeting, held on 22 March 2019 (for 2017 profit: 7 June 2018). The first instalment in the amount of CZK 1,900 million was paid on 29 March 2019 and the second instalment in the amount of CZK 642 million was paid od 15 June 2019.

8. PROPERTY, PLANT AND EQUIPMENT

During the period ended 30 June 2019 the Group acquired property, plant and equipment in the amount of CZK 1,265 million (for the period ended 30 June 2018: CZK 1,509 million) and disposed assets in residual value CZK 4 million (for the period ended 30 June 2018: CZK 216 million).

9. INTANGIBLE ASSETS

During the period ended 30 June 2019 the Group acquired intangible assets in the amount of CZK 175 million (for the period ended 30 June 2018: CZK 188 million) and disposed assets in residual value CZK 0 million (for the period ended 30 June 2018: CZK 5 million).

During the period ended 30 June 2019 the Group reported impairment of assets in the amount of CZK 12 million (for the period ended 30 June 2018: CZK 7 million).

10. INVENTORIES

As at 30 June 2019 the Group recognized inventories impairment provision in amount of CZK 6 million (as at 31 December 2018: CZK 6 million).

11. RECEIVABLES AND OTHER ASSETS

In CZK million	30 June 2019	31 December 2018
Trade receivables from third parties (net)	2,305	2,187
Receivables with related parties (Note 18)	860	1,020
Prepayments	412	279
Tax receivables for indirect taxes	138	129
Derivative financial assets	-	11
Advance payments	92	79
Cash collateral placed due to derivatives transactions (Note 14)	231	144
Other debtors (net)	11	10
Total receivables and other assets	**4,049**	**3,859**

Trade receivables and other debtors are stated net of bad debt provision of CZK 89 million (31 December 2018: CZK 76 million).

Receivables from related parties are disclosed in Note 18.

Cash collateral placed represents the one – side collateral of derivative transactions of the Group, see Note 14. 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.

12. CASH AND CASH EQUIVALENTS

In CZK million	30 June 2019	31 December 2018
Cash at bank accounts and other cash equivalents	51	1,348
Cash at bank accounts and other cash equivalents (inter-company)	897	302
Total cash and cash equivalents	**948**	**1,650**

The item Cash at bank accounts and other cash equivalents includes the balance of bank accounts of the Special Partnership Accounts of CZK 41 million (31 December 2018: CZK 40 million). These are partnerships with other business parties founded for a specific purpose, where the Group is in a leading role.

As at 30 June 2019, the Group has no financial commitments. As at 31 December 2018, the Group had available uncommitted undrown credit line in amount of CZK 500 million and undrawn uncommitted revolving facility up to CZK 175 million.

13. TRADE AND OTHER PAYABLES

In CZK million	**30 June 2019**	**31 December 2018**
Trade creditors	5,259	5,228
VAT, other taxes and social security liability	97	103
Other deferred revenue	313	274
Employee wages and benefits	180	211
Other creditors	12	8
Trade and other payables - current	**5,861**	**5,824**
Financial derivatives	113	-
IFRS 16 liability	4,608	-
Other deferred revenue - non-current	1,516	1,561
Other non-current liabilities, including derivative	**6,237**	**1,561**

Payables to related parties are disclosed in Note 18.

Other non-current liabilities were made up primarily of deferred revenues from installation fees related to optical fiber long-term rentals.

14. FINANCIAL ASSETS AND LIABILITIES

Bonds Issued

In CZK million					**30 June 2019**	
Date of issue	**Maturity**	**ISIN**	**Interest rate**	**Currency**	**Nominal value**	**Net carrying value**
6 December 2016	6 December 2021	XS1529934801	1.423	EUR	15,903	16,000
6 December 2016	6 December 2023	XS1529936335	1.250	CZK	4,866	4,868
Total					**20,769**	**20,868**

In CZK million					**31 December 2018**	
Date of issue	**Maturity**	**ISIN**	**Interest rate**	**Currency**	**Nominal value**	**Net carrying value**
6 December 2016	6 December 2021	XS1529934801	1.423	EUR	16,078	16,056
6 December 2016	6 December 2023	XS1529936335	1.250	CZK	4,866	4,834
Total					**20,944**	**20,890**

Hedge accounting

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

Gains and Losses from revaluation arising from Cash Flow Hedges

In CZK million	**2019**
The fair value of the effective part of cash flow hedges at 1 January	700
Deferred tax asset/(liability) arising from revaluation gains and losses at 1 January	(133)
Total balance at 1 January	**567**
Net profit/(loss) from the change in the fair value of a hedge instruments for the period	12
Cross currency swap	
Accumulated net profit/(loss) arising from cash flow hedges for the period recognised through profit or loss	-
Cross currency swap	
Tax effect of cash flow hedges for the period	(2)
The fair value of the effective part of cash flow hedges at 30 June	712
Deferred tax asset/(liability) arising from revaluation gains and losses at 30 June	(135)
Total balance at 30 June	**577**

Fair values of financial instruments

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

In CZK million			**30 June 2019**			
	Level 1	**Level 2**	**Level 3**	**Fair value**	**Carrying amount**	**Difference**
Financial assets						
Cash and cash equivalents	-	-	948	948	948	-
Receivables and other finanacial asset (excluding derivatives)	-	-	4,049	4,049	4,049	-
Financial liabilities						
Bonds (inc. accruals)	-	21,044	-	21,044	20,868	176
Trade and other payables	-	-	5,861	5,861	5,861	-

In CZK million	**31 December 2018**					
	Level 1	**Level 2**	**Level 3**	**Fair value**	**Carrying amount**	**Difference**
Financial assets						
Cash and cash equivalents	-	-	1,650	1,650	1,650	-
Receivables and other finanacial asset (excluding derivatives)	-	-	3,848	3,848	3,848	-
Financial liabilities						
Bonds (inc. accruals)	-	21,037	-	21,037	20,890	147
Trade and other payables	-	-	5,824	5,824	5,824	-

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

Financial instruments in fair value

In CZK million	**Fair value As at 30 June 2019**			**Fair value As at 31 December 2018**		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Positive fair values of financial derivative instruments	-	-	-	-	11	-
Negative fair values of financial derivative instruments	-	113	-	-	-	-

The fair value of financial derivative instruments has been calculated by discounting the expected future cash flows using common market interest rates as at 30 June 2019 and 31 December 2018.

15. PROVISIONS

In CZK million	**Asset retirement obligation**	**Other provisions**	**Total**
As at 1 January 2019	360	101	461
Additions during the year	50	38	88
Utilised during the year	(9)	(37)	(46)
As at 30 June 2019	**401**	**102**	**503**
As at 1 January 2018	367	120	**487**
Additions during the year	-	33	**33**
Utilised during the year	(16)	(37)	**(53)**
As at 30 June 2018	**351**	**116**	**467**

In CZK million	Asset retirement obligation	Other provisions	Total
As at 30 June 2019			
Short-term provisions	27	89	116
Long-term provisions	374	13	387
	401	**102**	**503**
As at 31 December 2018			
Short-term provisions	27	58	85
Long-term provisions	333	43	345
	360	**101**	**461**

The Group recognized a provision for estimated cost of dismantling and removing assets and restoring sites of CZK 401 million (31 December 2018: CZK 360 million). Scenarios of future costs based on management estimation, market prices, and historical costs were discounted to present value. Discount rates are paired to the expected dates of future decommissioning of assets.

Other provisions include a provision for redundancy cost of CZK 20 million (31 December 2018: CZK 27 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.

16. CONTINGENT LIABILITIES

In October 2016, the European Commission (EC) initiated a formal phase of an investigation in respect of Network sharing agreement between O2 Czech Republic, the Company and T-Mobile Czech Republic. Its objective is to review if the mutual cooperation does not harm free business competion in the Czech market and so there are no obstructions to innovations in contrary to EU antitrust rules. The Company fully cooperates with EC during the investigation and there is no specific conclusion from EC about free business competition rules violation as at interim consolidated financial statement date.

17. COMMITMENTS

Capital expenditure contracted but not yet recognized in the financial statements as at 30 June 2019 amounted to CZK 509 million (31 December 2018: CZK 635 million). The majority of contracted amounts relates to telecommunication networks and service contracts.

On 25 May 2018 the Company signed a new lease contract for the lease of new head office` premises. The contracted term is 12 years. The Company has limited rights to terminate the contract, therefore a off-balance sheet liability of CZK 494 million is presented.

18. RELATED PARTY TRANSACTIONS

The Group is part of PPF Group.

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

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

The following transactions were carried out with related parties:

a) Transactions with related parties

In CZK million	Volume of mutual transactions: Period ended 30 June 2019	Volume of mutual transactions: Period ended 30 June 2018	Assets/Liabilities as at: 30 June 2019	Assets/Liabilities as at: 31 December 2018
Sale of services				
Other companies in PPF Group	5,235	5,093	1,091	1,020
of which: O2 Czech Republic a.s.	4,975	5,011	991	993
Purchase of services				
Other companies in PPF Group	274	227	236	224
of which: O2 Czech Republic a.s.	113	110	172	185
Positive fair value of derivatives				
Other companies in PPF Group	-	-	-	11
Negative fair value of derivatives				
Other companies in PPF Group	-	-	113	-
Nominal value of derivatives				
Other companies in PPF Group	-	-	14,429	14,429
Cash equivalents				
Other companies in PPF Group	-	-	897	383
Dividend payable				
Shareholders	-	-	642	-

Receivables and payables relating to the sale and purchase of goods and services are included in trade receivables and payables described in Note 11 and 13.

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

For the period ended 30 June 2019, capital expenditures from related parties amounted to CZK 8 million (30 June 2018: CZK 0 million).

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

	Period ended 30 June 2019	Period ended 30 June 2018
Remuneration in CZK million		
Board of directors	8	10
Supervisory board	-	-
Key management	14	17
Number of members		
Board of directors	3	3
Supervisory board	3	3
Key management	9	11

No loans were provided to members of the Board of Directors and Supervisory Board as at 30 June 2019 and 30 June 2018.

19. SUBSIDIARIES

As at 30 June 2019

Subsidiaries		Group's interest	Cost of investment in CZK million	Country of incorporation	Activity	Method of consolidation
1.	CZECH TELECOM Germany GmbH	100%	10	Germany	Data transmission services	Full consolidation
2.	CZECH TELECOM Austria GmbH	100%	6	Austria	Data transmission services	Full consolidation
3.	CETIN Finance B.V.	100%	56	Netherlands	Financial services	Full consolidation
4.	CETIN služby s.r.o.	100%	*-	Czech Republic	Other services	Full consolidation
5.	STEL-INVEST s.r.o.	100%	15	Czech Republic	Other services	Full consolidation

*200 ths CZK

As at 31 December 2018

Subsidiaries		Group's interest	Cost of investment in CZK million	Country of incorporation	Activity	Method of consolidation
1.	CZECH TELECOM Germany GmbH	100%	10	Germany	Data transmission services	Full consolidation
2.	CZECH TELECOM Austria GmbH	100%	6	Austria	Data transmission services	Full consolidation
3.	CETIN Finance B.V.	100%	56	Netherlands	Financial services	Full consolidation
4.	CETIN služby s.r.o.	100%	*-	Czech Republic	Other services	Full consolidation

*200 ths CZK

On 11 December 2018 the Board of Director's decided to liqudate the subsidiaries CZECH TELECOM Germany GmbH a CZECH TELECOM Austria GmbH by 31 December 2018. The proces of liquidation will be going on in 2019 resp. 2020 in accordance with legal regulations in the individual countries.

20. MATERIAL SUBSEQUENT EVENTS

On 15 July 2019 the Company paid the second instalment of approved dividends in the amount of CZK 642 million (Note 7).

After the date of the interim consolidated financial statements there are no events with significant impact to the interim consolidated financial statements as at 30 June 2019.

The interim consolidated financial statements were approved by the Board of Directors on 7 August 2019 and signed on behalf of the Company:

Juraj Šedivý
Chairman of the Board

Filip Cába
Vice-Chairman of the Board