CETIN a.s.

Consolidated Annual Report 2021

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,

CETIN's performance in 2021 met the planned targets, achieving objectively positive results. This was mainly based on the development of mobile network services, growth in the number of fixed internet access services on the modernised access network, and demand for data services.

For the second year, the programme for the construction of our FTTH networks continued. This important project will continue to be key for CETIN in the coming years. We are targeting the construction of at least 1.2 million FTTH connections by the end of the decade. In line with our plan, at the end of 2021 we had 135,000 FTTH connections. We paid great attention to monetising them, as well as to monetising the accelerated and modernised metallic network. We were also successful in selling connections implemented on the metallic network through the new bonding technology.

Another of the important projects in 2021 was the launch of a major modernisation of the radio access mobile network and its supplementation with the next generation 5G technology. As part of this project, end-of-life equipment is being replaced with new Ericsson technologies. The project will continue in the coming years.

The Company is continuously focusing on and investing in ensuring interoperability, physical and cyber security and reliability of the communications infrastructure, which is a critical element for the further development of the digitisation of services, industrial applications, and the digitalisation of the country's processes.

Integrating social and environmental aspects into the Company's daily activities was an integral part of our work.

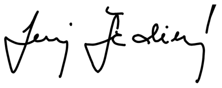
The Company organised a range of initiatives to support sales activities in order to ensure adequate return on investment.

We ensured that all of our networks operated flawlessly and seamlessly, helping businesses, educational institutions, individuals and entire communities to function in the face of the coronavirus crisis. We were able to meet the demand arising from the massive shift of activities within Czech society to the online environment.

As Chairman of the Board of Directors of CETIN, I would like to thank all our partners, customers and communities in which we carry out our activities and, last but not least, our employees for their work and commitment during the last year. Their daily work makes a significant difference in helping the whole Company to function despite the ongoing pandemic.

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's mission is to build, operate and modernise a reliable, secure and fast telecommunications infrastructure. This is a prerequisite for further digitisation of the Czech economy and increasing its competitiveness.

CETIN not only owns and operates the largest network in the Czech Republic, but is also a wholesale provider of electronic telecommunications services. It offers its services under the same conditions to all operators and internet access providers, which then serve their end customers through CETIN's infrastructure. In total, 99.6% of Czech households rely on CETIN's technology network.

CETIN's infrastructure includes both fixed and mobile networks, across the whole range of specific products – from network access, xDSL and FTTH/FTTB connection to IP TV, voice services and data services for business customers to data centre lease. CETIN also provides international voice and data services through physical network nodes (POPs) in London, Vienna, Bratislava, Frankfurt and Hong Kong, working with more than 200 telecom operators worldwide.

As operator of the largest communications infrastructure in the Czech Republic, CETIN invests billions of Czech crowns annually in the development of this infrastructure. CETIN's nationwide network includes approximately 20 million km of metallic cable pairs and 56,000 km of fibre-optic cables throughout the Czech Republic. During 2021, the Company continued to build FTTH connections, which led to a further increase in the average speed of the access network. This increased by two-thirds compared to 2020, to the current 177 Mbitps. Through more than 20 business partners in the Czech Republic, CETIN offers connection speeds of 50 Mbitps and above to almost 85% of households connected to the CETIN network. In 2021, CETIN celebrated the one millionth customer with a high-speed internet connection. This is one million active connections to CETIN's fixed network, enabling users to enjoy the full experience of a high-quality internet connection.

In 2021, CETIN continued to develop 5G technology in its mobile access network. This development included, among other things, the provision of 5G coverage in the Prague metro system.
Last year, CETIN launched a project of complete modernisation of the technologies used in its mobile network. This project will ensure the deployment of state-of-the-art technologies, including 5G. The modernisation will make the mobile network more efficient and increase its overall capacity, which will enable further improvement in the quality of services provided.

In 2021, CETIN consolidated its position as the infrastructure of first choice for developers, partners and, indirectly, end customers in development projects. We are building the highest number of connections in modern history, most of them using passive FTTH technology, i.e. fibre to the home.

With its experienced staff and extensive infrastructure, CETIN offers efficient, reliable and secure wholesale telecommunications services throughout the Czech Republic. CETIN's more than 2,000 employees are dedicated to enabling its customers to deploy their networks efficiently and quickly, and to ensuring their operation and availability throughout the Czech Republic. They manage large projects for operators and telecommunications service providers to guarantee their partners efficient deployment of infrastructure, which is among the best in its class.

CETIN Group consists of CETIN a.s. and its subsidiaries CETIN Finance B.V. and CETIN služby s.r.o. For CZECH TELECOM Germany GmbH i.L., liquidation was completed during 2021, and the Company was erased from the Commercial Register in February 2022. In 2021, the majority of CETIN Group's services were provided in the Czech Republic. The permanent establishments in Germany and Austria mainly made it possible 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 international rating agency, Moody's. Investment grade credit rating BBB (from December 9, 2021), awarded by international rating agency, Fitch Ratings.

Certificates

Quality management system according to ISO 9001:2015
Environmental management system according to ISO 14001:2015
Health and safety management system according to ISO 45001:2018 standard
Information security system according to ISO 27001:2013
Energy management systems according 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

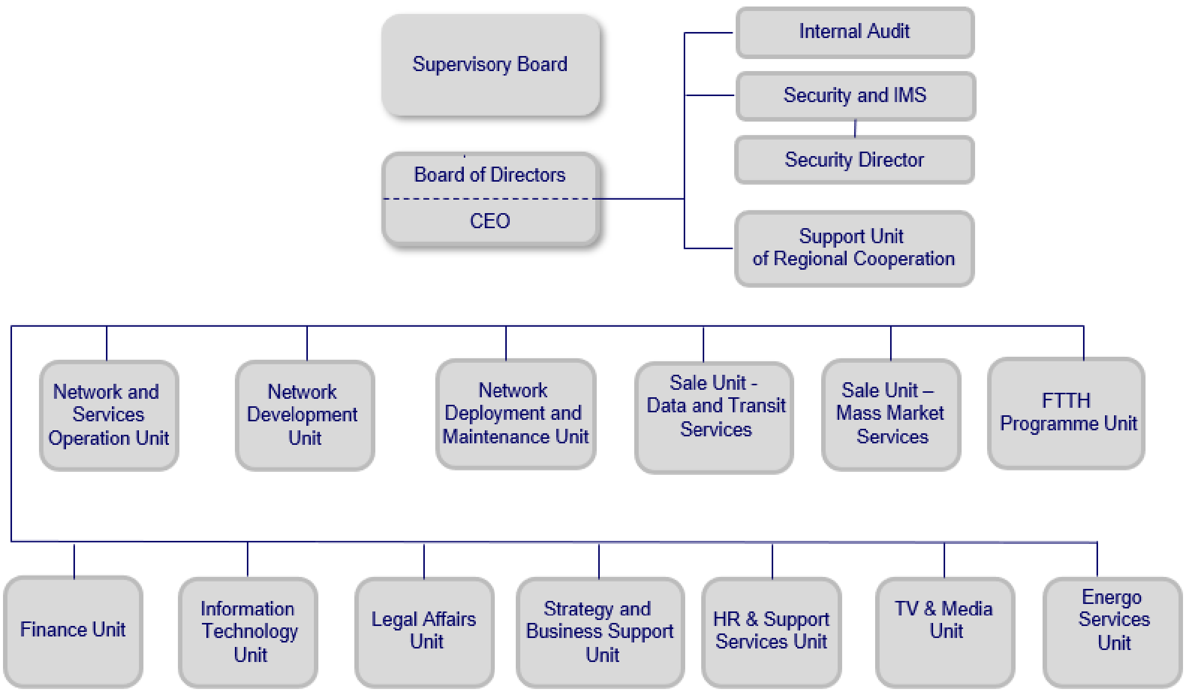
Ing. Martin Vlček	Member of the Supervisory Board from 1 January 2019, Chairman of the Supervisory Board from 8 February 2019
Ing. Petr Slováček	Member of the Supervisory Board from 1 January 2019, Vice-Chairman of the Supervisory Board from 8 February 2019
Lubomír Vinduška	Member of the Supervisory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

Executive management

Status as of 31 December 2021:

Ing. Martin Škop	Chief Executive Officer from 1 September 2020
Radek Myška	Director, Network and Services Operation Unit from 1 November 2021
Ing. Vladimír Filip	Director, Network Development Unit from 1 June 2015
Ing. Petr Gazda	Director, Energo Services Unit from 1 November 2021
Ing. Katarína Vániková	Director, Sales Unit - Data and Transit Services from 1 September 2020
Ing. Josef Šikýř	Director, Sales Unit - Mass Market Services the from 1 September 2021
Ing. Filip Cába	Director, Finance Unit from 1 June 2015
Ing. Petr Holý Ph.D.	Director, Information Technology Unit from 19 April 2021
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
Jan Žďárský	Director, Network Deployment and Maitenance Unit from 19 April 2021

Company organisation 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. and CETIN služby s.r.o. In addition to its subsidiaries, CETIN has registered permanent establishments in Austria and Germany. In 2021, the major part of the Company’s services were 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 issued Eurobonds and provide financing for the Company. In 2021 the subsidiary CZECH TELECOM Germany GmbH was liquidated, on 27 December 2021 the deregistration request was filed, and on 4 February 2022 it was erased from the Commercial Register. The subsidiary STEL-INVEST s.r.o. was merged on 1 January 2021 with Company. The subsidiary CETIN služby s.r.o. did not generate any business activity in 2021.

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

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

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

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

A significant source of the Company’s revenues and profits in 2021 were three major contracts with O2 Czech Republic a.s.: a contract on the provision of mobile network services, a contract on access to the public fixed-line telecommunication network, and a contract on the provision of data centre services. The contracts represent a long-term obligation on the part of O2 Czech Republic a.s. to use the Company’s services, and the Company’s commitment to the agreed service levels and their improvement.

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

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 of 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 provides data services to the other operators which are primarily intended for end-users from the corporate sphere or for use for the own needs of operators and internet providers.

Data services – the Company provides data services to operators primarily intended for the end user from the corporate sphere or for use for the own needs of operators and internet providers. Data services are provided on metallic, optical and radio access technology in a wide range of service configurations, transmission capacities, and additional services.

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

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 2021. For detailed information, see the Consolidated Financial Statements for the financial year ended on 31 December 2021 in the following sections of this Annual Report.

Revenues, costs and profit

The CETIN Group's total revenues amounted to CZK 18.4 billion in 2021. Total operating costs reported by the CETIN Group were CZK 9.5 billion, with the major part represented by the cost of sales in the international transit segment. The CETIN Group reported a total of CZK 1.3 billion in payroll costs. Other significant cost items were the costs of leasing and operating real estate, and costs associated with the maintenance and operation of networks.

The earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to CZK 8.9 billion in 2021, with the predominant part of the profit coming from the national network services segment. The CETIN Group's profit after tax was CZK 2.6 billion in 2021.

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 47.8 billion as of 31 December 2021.

Cash and debt

In 2016, CETIN's subsidiary CETIN Finance B.V. issued Eurobonds in the total amount of CZK 7.9 billion and EUR 625 million, with maturities of 1 year (CZK 3 billion), 5 years (EUR 625 million), and 7 years (CZK 4.9 billion). On 6 December 2021, the tranche of Eurobonds, amounting to EUR 625 million, was redeemed. As at 31 December 2021, the outstanding tranche of Eurobonds amounts to CZK 4.9 billion. The bonds are admitted for trading on the Euronex Dublin. Should CETIN Finance B.V. default on the bond related liabilities, CETIN will be obliged to meet the liabilities as a guarantor.

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

For detailed information on loans and bonds, see Note 17 of the Notes on the Financial Statements included herein.

Profit distribution and other payments to shareholders

The General Meeting, held on 16 March 2021, approved the statutory financial statements for year ended 31 December 2020 and approved the distribution of dividends of CZK 2,536 million from profit for the year ended 31 December 2020. The first instalment in the amount of CZK 1,400 million was paid on 31 March 2021 and the second instalment in the amount of CZK 1,136 million was paid on 31 August 2021.

Capital expenditure

In 2021, the CETIN Group acquired fixed assets amounting to CZK 4.0 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 8.8 billion in 2021. After working capital changes and income tax paid, the net cash flows from operating activities amounted to CZK 7.4 billion. Net cash flows used in investment activities amounted to CZK 3.9 billion, mainly comprising investments in network infrastructure development.

The cash flows used in financing activities principally consisted of coupon repayment and bond redemption to bondholders of CZK 16.2 billion, a dividend payment of CZK 2.54 billion, an intra-group loan granted by the parent company amounting to CZK 15.9 billion, expenses of CZK 0.5 billion related to hedging of the Eurobonds foreign exchange risk, and expenses related to interest and lease payments of CZK 0.8 billion.

In total, the net cash position thus decreased by CZK 0.7 billion in 2021. The cash flows from the CETIN Group's operating activities were mainly used for investment in development of the telecommunications infrastructure (CZK 4.0 billion) and for payments to shareholders and bondholders (CZK 2.82 billion).

Information about own shares

The Company did not acquire its own shares in 2021.

Outlook for the forthcoming period

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

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

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

Telecommunications market in the Czech Republic

Significant events in the Czech telecommunications market in 2021 included the commencement of a complete upgrade of the mobile network operated for O2 Czech Republic by CETIN to single RAN with 5G technology. 3G networks were decommissioned by Vodafone in March, and by T-Mobile Czech Republic and O2 Czech Republic at the end of November 2021. CETIN continued its investment programme into planning and building fibre optic FTTH networks. The fixed access market consolidated further in the second half of 2021 with Nej.cz taking over Smart Comp.

The development of regulation and associated legislation

In October 2021, the Amendment to Act 127/2005 Coll. on electronic communications ("Electronic Communications Act") transposing Directive (EU) 2018/1972 of the European Parliament and of the Council of 11 December 2018 establishing the European Electronic Communications Code was published. The Amendment became effective on 1 January 2022.

Other significant legislative changes include the adoption of a new Construction and Building Code and an Amendment to Act 289/2005 Coll. on military intelligence, which, inter alia, amends the Electronic Communications Act in the area of cybersecurity.

Regulatory changes in 2021 include the entry into effect of Commission Delegated Regulation (EU) 2021/654 of 18 December 2020 supplementing Directive (EU) 2018/1972 of the European Parliament and of the Council by setting a single maximum Union-wide mobile voice termination rate and a single maximum Union-wide fixed voice termination rate.

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

A new round of reviews of the latter three markets is underway. Towards the end of 2021, the Czech Telecommunications Office ran public consultations of analyses of market 1 (wholesale local access provided at a fixed location) and market 3b (wholesale central access in a fixed location for mass market services).

State policy and support of high-speed internet access

In February 2021, the Ministry of Industry and Trade approved subsidies of total value approx. CZK 1 billion. for projects submitted under the 4th call within the OP PIK High Speed Internet Programme, including for CETIN's projects.

In March 2021, the Czech government approved the National Plan for the Development of Very High Capacity Networks, which is a necessary precondition for allocating EU funding for electronic communications networks deployment in the current budgetary period of 2021-2027. The government and the EU Council approved the National Recovery Plan, which should enable the use of funds from the EU's Recovery and Resilience Facility. The share of funds allocated for high capacity networks is about CZK 5.7 billion.

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 interest, taxes, depreciation and amortisation	The indicator expresses a business's operating efficiency	Consolidated Statement of total comprehensive income (EBITDA): 2021: CZK 8,886 million 2020: CZK 8,813 million
EBITDA IFRS 16 adjusted	Earnings before 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 the Consolidated Statement of total comprehensive income (IFRS 16 related costs are included in Depreciation of Assets and Finance Costs) 2021: 8,886 – 825 = CZK 8,061 million 2020: 8,813 – 806 = CZK 8,007 million
Net debt / EBITDA	Ratio of Financial debt minus cash and cash equivalents and Earnings before 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): 2021: (24,636 + 867 – 740) / 8,886 = 2.79 2020: (9,103 + 17,221 – 1,411) / 8,813 = 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): 2021: 7,382 – 3,948 = CZK 3,434 million 2020: 8,008 – 4,305 = CZK 3,703 million

Standalone financial statements:

Measure	Definition	Purpose	Reconciliation to financial statements (in CZK million)
EBITDA	Earnings before interest, taxes, depreciation and amortisation	The indicator expresses a business's operating efficiency	Statement of total comprehensive income (EBITDA): 2021: CZK 8,890 million 2020: CZK 8,805 million
EBITDA IFRS 16 adjusted	Earnings before 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 the Statement of total comprehensive income (IFRS 16 related costs are included in Depreciation of Assets and Finance Costs) 2021: 8,890 – 825 = CZK 8,065 million 2020: 8,805 – 806 = CZK 7,999 million
Net debt / EBITDA	Ratio of Financial debt minus cash and cash equivalents and Earnings before 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): 2021: (24,604 + 868 – 631) / 8,890 = 2.79 2020: (9,056 + 17,198 – 1,278) / 8,805 = 2.84
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): 2021: 7,378 – 3,941 = CZK 3,437 million 2020: 8,002 – 4,303 = CZK 3,699 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. 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 was hedged using cross-currency swaps covering 85% of the debt. Details of the derivatives are disclosed in Note 16 and 17 of the Notes to 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.

Even in 2021 potential of negative impact of the COVID-19 pandemic on economic activities of the Company might impact any of the 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 of Related Acts (the Cyber Security Act), as amended. The Company actively uses a risk management system pursuant to international standard ISO 27001, which involves annual full-scale analysis of operating risks and Business Impact Analysis. In 2021, 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 June 2021, 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

CETIN has long supported selected cultural, social and environmental projects. We consider this an integral part of our business.

Last year's coronavirus epidemic and related measures significantly reduced or moved most of these projects online. Nevertheless, we felt it was right to continue to support projects in an alternative form.

For example, CETIN was one of the most important partners of the Prague Spring International Music Festival, which took place mainly online, and of the Summer Shakespeare Festival, which fortunately could take place in the usual format during the summer. In addition, we also supported the organisation of the Rudolf Firkušný Piano Festival. As part of its long-term support for classical music, CETIN also started collaboration with PKF – Prague Philharmonia and composer Petr Wajsar. The result of our collaboration is the CETIN musical motif, which dramatises modern technologies and the speed they bring.

The Company continued its involvement in the Planting for the Future environmental campaign, supporting another tree avenue close to the former Vojna labour camp near Příbram by planting five lime trees. But the planting of greenery didn't end there. We became a partner of the Run Forests race, helping not only the health of our employees who entered the race, but also the health of our nature with 250 trees planted for CETIN runners. We also became a partner for the Adapterra Awards, a competition that seeks the best examples of adaptations to climate change. We financially supported the Josef Vavroušek Environmental Award, which seeks and honours those who carry on the legacy of Josef Vavroušek, an environmental visionary and pioneer of the concept of sustainable living.

We also supported the voluntary participation of our employees in the global Movember event, sponsored in the Czech Republic by the Men Against Cancer Foundation: at the end of November 2021, the Company doubled the contribution collected by its employees.

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. 2021 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 2021 in terms of IFRS accounting standards.

Non-financial information

The consolidated annual report also contains non-financial information pursuant to Section 32g of 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 present and future generations. Therefore, it has included the reduction of negative effects on the environment in its strategy and daily activities, as it also declares in its Environmental Policy and Energy Policy (they are available on the website https://www.cetin.cz/o-nas/odpovedny-pristup).

Since its establishment in 2015, CETIN has implemented an environmental management system in accordance with the international standard ISO 14001 as part of an integrated management system. In 2016, CETIN obtained a certificate for the energy management system according to the international standard ISO 50001. The validity of both certificates has been repeatedly confirmed by the Certification Audit of the independent certification company TUV NORD Czech, most recently in June 2021.

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

In accordance with international standard ISO 14001, the Company has identified its environmental aspects, 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

The targets for reducing negative environmental impacts in 2021 focused mainly on reducing energy consumption and its more efficient use, saving fuel and replacing refrigerants in air conditioning units, which also leads to a reduction in greenhouse gas emissions and pollutants into the air, and also to economic savings. The Company has already launched several large projects in recent years, which gradually bring significant energy savings. These include the replacement of telecommunications technologies with more modern ones, the optimization of the premises used and the adjustment of the operating conditions of telecommunications technologies.

Key performance indicators and results of applied measures

In the Energy Policy, 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, and ensuring compliance with other requirements. Due to the large number of buildings (administrative and technological buildings, mobile network base stations) that the Company uses throughout the Czech Republic, energy use is primarily monitored in facilities with significant consumption, where electricity consumption associated with the technology used for realization of products and services is greater than 30,000 kWh / year. The technologies operated are a fixed telecommunications network, a mobile network and data centres. The last update of the Energy Policy made in 2021 also includes a change in the determination of the energy intensity indicator (EnPI) for the technologies used so that they meet the conditions for carrying out CETIN's business activities and realistically reflect the reduction in energy intensity.

The Company's basic energy goals for a period of five years were set by the Energy Policy as follows: for electricity - increase of energy efficiency by 90% for fixed network, increase of energy efficiency by 95% for mobile network and non-decrease of energy efficiency for data centres; for thermal energy, a 20% reduction in consumption; for natural gas, a 30% reduction in consumption. For fixed and mobile networks, this indicator is the specific energy consumption per number of services provided and for data centres the ratio indicator is PUE. Consumption reduction is related to the state and scope of provided services and products to the set initial state of energy consumption.

The total electricity consumption in the Company in 2021 was 237,262 MWh, which represents a decrease of 11% compared to the previous year, when it was 266,677 MWh. Electricity consumption for the mobile network was 103,089 MWh, fixed networks 134,173 MWh. Total gas consumption decreased by 2.4% to 2457 MWh (in 2020 it was 2518 MWh). Consumption of heat consumed in 2021 was 18,425 MWh, which represents an increase of 10% compared to 2020, when the Company consumed heat of 16,750 MWh.

In fixed and mobile telecommunications networks, technology exchange projects for more modern and cost-effective technologies, the installation of new equipment, bringing significant acceleration of connection speeds for hundreds of thousands of households in fixed networks (DSLAMs) and the construction of a new generation nationwide mobile network continue. In data centres, electricity consumption depends on the increase in 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 2021 was as follows: diesel consumption for backup power sources (generators) was 20,000 litres, which represents a slight year-on-year increase. This consumption is due to the need to ensure nationwide operation of fixed and mobile networks in the event of a power failure (e.g. due to failures or adverse weather), so savings cannot be given priority here. Fuel consumption for vehicles reached 1,665,755 litres (1,572,844 litres in 2020), an increase of 5.9% year on year. The increase in consumption reflects the higher mileage associated with the increased volume of telecommunications network service throughout the country during the COVID19 pandemic - in 2021 it was 27 million km (2020-25 million km).

Water and air protection

Water consumption decreased by 10% in 2021 and reached the value of 49.4 thousand litres (54.8 thousand litres in 2020). Wastewater produced by the Company's operations represents only ordinary pollution common in office operations and is thus discharged into the sewerage system in accordance with the contracts concluded with the companies operating the water supply and sewerage system. The Company operates about 150 so-called listed stationary sources of air pollution: 5 boiler rooms, and especially a number of spare power sources (generators), enabling the operation of the technology in the event of a failure of the standard power supply. Aggregate data on their operation and on air emissions are reported to the state administration in accordance with the requirements of legal regulations using the Integrated System for the Fulfilment of Environmental Reporting Obligations (ISPOP).

Waste and its collection

CETIN records information on waste production in accordance with applicable legislation. In 2021, the company generated 34 types of waste, of which 7 were hazardous. Hazardous waste is not significantly focused on the Company's current operating activities, it is produced mainly during the technological replacement of used equipment and the disposal of obsolete operations. The company produced 2,238 tonnes of waste in 2021, which represents a year-on-year increase of 21%. Of this, 29 tonnes were hazardous waste. It was mainly glass, plastics and wood containing dangerous substances. A total of 161 tons of mixed municipal waste was disposed of in 2021, which means a year-on-year decrease of 11%.

The Company is engaged in the collective system EKO-KOM, which ensures the combined fulfilment of the obligations of take-back and utilization of packaging waste. As part of the fulfilment of the obligations of take-back and separate collection of electrical equipment and batteries in cooperation with the collective system REMA Systém and REMA Battery in 2021, the Company handed over 31 tonnes of electrical equipment and batteries for eco-friendly disposal. In 2021, CETIN also joined the Green Company project, which ensures the eco-friendly disposal of the Company's electrical appliances and batteries and also enables its employees to dispose of used electrical equipment through a collection box.

The use of equipment with controlled substances and fluorinated greenhouse gases

In 2021, the Company used both HFC-type and HCFC-type refrigerants (e.g. R22) in technological air-conditioning units, which pose a greater threat to the ozone layer in the event of a leak. These are primarily focus of the environmental goals of the Company, which aims to replace this technology with new equipment that is safer for the environment. Refrigerant leaks from technological air conditioners increased minimally year-on-year, in 2021 they reached a total value of 208.9 kg (in 2020 it was 198.8 kg), of which the HCFC type was 9.5 kg, it was a consequence of an operational accident of a large air-conditioning unit and also the age of air conditioning units.

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 the 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 the 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 newly requires the taking of a test of the acquired knowledge, and to pass this test it is necessary to correctly answer all the 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 an internal corporate compliance programme, which is designed such that the 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 arising 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 the stated principles.)".

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 on the Company intranet in the form of the relevant documents and e-learning course. The level of training of all staff in 2021 exceeded 99.61%.

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 2021, 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 risks 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 2021 saw increased emphasis on protection of employees, because of the coronavirus pandemic. CETIN was focused on raising awareness of compliance with hygiene rules and a number of preventive measures were introduced to protect the health of the employees. Employees at greater risk of infection because of their job and the nature of their workplace, but not only them, were equipped with additional personal protective equipment. CETIN's costs for the purchase of this additional equipment amounted to CZK 6.9 million for 2021.

CETIN spent almost CZK 3 million in 2021 on additional payments for the upkeep of protective clothing and work equipment, a drinking regime and difficult work conditions.

The Company 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 indicators that reflect the results of the measures put in place are the long-term low level of employee turnover, 6.1% per annum, which is around a third of the average for a commercial company 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 2021 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 26 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 (together "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 2021, and the consolidated statement of total 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 2021, 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.

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 skepticism 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 the Standalone 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 2021, and the statement of total 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 2021, and of its 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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.

KPMG

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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 financial statements, including the disclosures, and whether the 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.

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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 2021, based on which this independent auditor's report has been prepared.

Prague
2 March 2022

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 2021

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 2021 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 2021 - 31 December 2021

Mr. Petr Kellner until his tragic death on 28 March 2021 was a person with a share that allowed indirect full control of the Company. As an administrator of estate of Mr. Petr Kellner has been as of 18 May 2021 appointed Mrs. Renáta Kellnerová, who is under applicable legislation registered by the Company as its ultimate beneficial owner. Hence, Mrs. Renáta Kellnerová is in this Report on Related Party Transactions stated as controlling person of the Company. The indirect share in the Company's voting rights was held by Mr. Petr Kellner until his tragic death, and respectively by Mrs. Renáta Kellnerová till 31 August 2021, through CETIN Group N.V. (till 2 September 2021 acting under business name CETIN Group B.V.) and PPF A3 B.V., which acted in concert in relation to the Company and together had owned shares associated with 100% of voting rights in the Company. As of 1 September 2021 the company PPF A3 B.V. as a dissolving company has merged into CETIN Group N.V. as successor company which resulted into becoming company CETIN Group N.V. the sole shareholder of the Company.

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 company CETIN Group N.V., through which Mrs. Renáta Kellnerová controls the Company, is part of the PPF Group. The company PPF A3 B.V. was until its dissolution 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 person, Mrs. Renáta Kellnerová, 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 until his tragic death due to the fact that he held indirectly majority of share of voting rights - through the aforementioned companies CETIN Group N.V. and PPF A3 B.V., which together owned 100% of shares of Company. Following, Mrs. Renáta Kellnerová has been able to control the Company as administrator of estate of Mr. Petr Kellner.

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 2021 the Company has entered into Intra-Group Loan Framework Agreement with CETIN Group N.V., under which CETIN Group N.V. provided the Company with loan amounting to EUR 625,000,000 which was used by the Company to refinance its indebtedness.

Actions pursuant to Section 82(2)(d) of the Business Corporations Act after the end of the accounting period of 2021

From the end of the accounting period of calendar year 2021 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 financial statements for accounting period immediately preceding to accounting period in relation to which this Report on Related Party Transactions is executed.

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 2021:

contracting party: **Air Bank a.s.**

- Agreement on cooperation, *description of performance:* the agreement enables employees of the Company to consume certain products of Air Bank a.s. on favourable terms provided they met certain conditions.

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.
- Agreement on special corporate price for accommodation, *description of performance:* determination of price terms concerning the accommodation of employees and guests of the Company, lease of conference rooms.

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.

- 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.

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.
- N2N Master Operational Service Agreement, *description of performance*: procurement of data connectivity.
- 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).
- Transitional Services Agreement, *contracting parties include* Telenor d.o.o. Beograd, Telenor d.o.o. Podgorica, *description of performance:* terms and conditions of rendering certain telecommunication services.

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 Group N.V.**

- Intra-Group Loan Framework Agreement, *description of performance*: conditions of the loan amounting to EUR 625,000,000 provided by CETIN Group N.V. to the Company.

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 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.
- Agreement on provision of IT services, *description of performance:* provision of IT services.
- SAP Adherence Agreement, *description of performance:* terms and conditions of right to use software, maintenance of software and cloud services of the company SAP.

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, CDMA and 5G networks, consolidation of the 2G and 3G networks, development of the LTE and 5G 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).
- 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.

- Security Services Agreement, *description of performance:* provision of security services by Company.
- Contract on the Supply of Migration Services; *description of performance:* migration of services from legacy technologies to new technical solutions.
- 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.
- Contracts 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 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, including the amendments and partial agreements on specific steps of implementation.
- Framework agreement for supply of racks and equipment, *description of performance*: supply of racks and equipment including the accessories and installation.
- Provision of space for advertisement, *description of performance*: Company's offer towards its partners to use certain properties of Company by advertisement of partners.
- Agreement on transfer of license, *description of performance*: the contracting party transfers to the Company licence to use special function of system Utimaco LIMS on network elements.
- Framework agreement on terms and conditions of provision mobile services of electronical communication, *description of performance*: provision of electronical communication services through mobile network of O2 Czech Republic a.s. and supply of mobile phones, accessories to mobile phones and further products of O2 Czech Republic a.s. (the agreement had been transferred to the Company as successor company as a result of merger with STEL-INVEST s.r.o.).
- Contract on work, *description of performance:* provision of electro-installation works on connection of brand stores of O2 Czech Republic a.s. to the distribution network (the agreement had been transferred to the Company as successor company as a result of merger with STEL-INVEST s.r.o.).

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.

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.

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

- Recharge 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.
- Recharge 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.
- Recharge of Costs for ensure of COVID-19 testing, *description of performance*: ensure of COVID-19 testing.

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.
- 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: **PPF Financial Holdings a.s.**

- Agreement on provision of leave and reimbursement of cost for such provided leave, *description of performance*: agreement under section 221 of labour code.

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.

[1] No performance has been provided pursuant to this contract by contracting parties in 2021.

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.
- 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.
- 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.

- 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.
- Transitional Services Agreement, *contracting parties include* CETIN d.o.o. Beograd, Telenor d.o.o. Podgorica, *description of performance:* terms and conditions of rendering certain telecommunication services.

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.
- Transitional Services Agreement, *contracting parties include* CETIN d.o.o. Beograd, Telenor d.o.o. Beograd, *description of performance:* terms and conditions of rendering certain telecommunication services.

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.
- 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.
- Contract on maintenance of backup electricity sources, *description of performance*: maintenance of backup electricity sources – diesel generators, UPS.
- Agreement on location of public communication network, *description of performance*: right of the Company to use part of property of contracting party to locate, including the operate, maintenance and repair of indoor cabling of communication network.

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. Conclusion

The most significant event relevant to the Report on Related Party Transactions during the accounting period of 2021 was unfortunately the tragic death of Mr. Petr Kellner. Further significant events were (i) closing of the merger with Company's 100% subsidiary STEL-INVEST s.r.o. as of 1 February 2021, (ii) the distribution of 2020 profit to shareholders of the Company, and (iii) change in shareholding structure of the Company (due to merger of CETIN Group N.V. and PPF A3 B.V. the Company has from 1 September 2021 the sole shareholder which is CETIN Group N.V.).

The practice of separation of commercial and management of the Company and its subsidiaries from O2 Czech Republic a.s. and its subsidiaries continued during the accounting period of 2021. Therefore, there are no relations among those groups which could negate the original purpose of spin-off of the Company from O2 Czech Republic a.s. in 2015. 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 2 March 2022

CETIN a.s.

Annex no. 1 – List of companies directly or indirectly controlled by the same controlling person as of 31 December 2021

Controlling person: Renáta Kellnerová

Business name	Identification / registration number	Country of registration	Method and means of control	Note	Interest via
AB 4 B.V.	34186049	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		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 a.s.
AB-X Projekt GmbH v likvidaci	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	till 23.3.2021	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.
Alcat S.r.l	1982487	France	Company controlled by the same controlling entity by way of ownership interest	from 30.9.2021	Dream Yacht Italia S.r.l
Anse Marcel Marina SAS	484763594	France	Company controlled by the same controlling entity by way of ownership interest	from 30.9.2021	Dream Yacht Saint Martin
ANTHEMONA LIMITED	HE 289 677	Cyprus	Company controlled by the same controlling entity by way of ownership interest		Comcity Office Holding B.V.
Aqualodge	823597950	Martinique	Company controlled by the same controlling entity by way of ownership interest	from 30.9.2021	Dream Yacht Charter

Business name	Identification / registration number	Country of registration	Method and means of control	Note	Interest via
Argos Yachtcharter & Touristik GmbH	9313	The Federal Republic of Germany	Company controlled by the same controlling entity by way of ownership interest	from 30.9.2021	Lacani
Archipels croisieres	92125B	France	Company controlled by the same controlling entity by way of ownership interest	from 30.9.2021	Dream Yacht Tahiti
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.
Asake HW s.r.o. v likvidaci (dříve eKasa s.r.o.)	05089131	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		O2 Czech Republic a.s.
ASTAVEDO LIMITED	HE 316 792	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	till 29.1.2021	PPF CYPRUS MANAGEMENT LIMITED
Bammer trade a.s.	28522761	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		Skoda B.V.
Bavella B.V.	52522911	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		PPF Group N.V.
Beficery LTD	417922	Cyprus	Company controlled by the same controlling entity by way of ownership interest	from 10.11.2021	PPF Industrial Holding B.V.
Benxy s.r.o.	03570967	Czech Republic	Company controlled by the same controlling entity by way of ownership interest	till 1.12.2021	Air Bank a.s.
Best Charter	820563815	Guadeloupe	Company controlled by the same controlling entity by way of ownership interest	from 30.9.2021	Dream Yacht Charter

Business name	Identification / registration number	Country of registration	Method and means of control	Note	Interest via
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 Services, a.s. v likvidaci	24215171	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		PPF CYPRUS MANAGEMENT LIMITED
Bestsport, a.s.	24214795	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		LINDUS SERVICES LIMITED
BLUE SEA HOLDING Sárl	0771845232	Belgium	Company controlled by the same controlling entity by way of ownership interest	from 29.7.2021	Vox Ventures B.V.
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.
Bravewave Limited	HE 416 017	Cyprus	Company controlled by the same controlling entity by way of ownership interest	from 10.11.2021	PPF Industrial Holding B.V.
BTV Media Group EAD	130081393	Bulgaria	Company controlled by the same controlling entity by way of ownership interest		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.
Carolia Westminster Hotel Limited	9331282	The 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.
CEIL (Central Europe Industries) LTD	275785	Cyprus	Company controlled by the same controlling entity by way of ownership interest	from 10.11.2021	Bravewave limited, Beficery LTD

Business name	Identification / registration number	Country of registration	Method and means of control	Note	Interest via
Central European Media Enterprises Ltd.	19574	Bermudas	Company controlled by the same controlling entity by way of ownership interest	till 24.6.2021	TV Bidco B.V.
CETIN a.s.	04084063	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		CETIN Group N.V.
CETIN Bulgaria EAD	206149191	Bulgaria	Company controlled by the same controlling entity by way of ownership interest		CETIN Group N.V.
CETIN d.o.o. Beograd - Novi Beograd	21594105	Serbia	Company controlled by the same controlling entity by way of ownership interest		CETIN Group N.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 N.V. (dříve CETIN Group 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		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.	27399052	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		Skoda B.V.
CITY TOWER Holding a.s.	02650665	Czech Republic	Company controlled by the same controlling entity by way of ownership interest	till 6.11.2021	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		CME Media Enterprises B.V.
CME Investments B.V.	33289326	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		CME Media Enterprises B.V.

Business name	Identification / registration number	Country of registration	Method and means of control	Note	Interest via
CME Media Enterprises B.V.	33246826	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		TV Bidco B.V.
CME Media Enterprises Limited	49774	Bermudas	Company controlled by the same controlling entity by way of ownership interest	till 29.1.2021	Central European Media Enterprises Ltd.
CME Media Services Limited	6847543	The United Kingdom of Great Britain and Northern Ireland	Company controlled by the same controlling entity by way of ownership interest		CME Media Enterprises B.V.
CME Programming B.V.	33020125	The Netherlands	Company controlled by the same controlling entity by way of ownership interest	till 11.3.2021	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		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		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.
Croatia Yacht Club d.o.o.	100001999	Croatia	Company controlled by the same controlling entity by way of ownership interest	from 30.9.2021	Dream Yacht Charter
Croisiere Cabine Antilles	791273881	Martinique	Company controlled by the same controlling entity by way of ownership interest	from 30.9.2021	Dream Yacht Charter
Culture Trip (Israel) Ltd.	515308609	Israel	Company controlled by the same controlling entity by way of ownership interest		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.

Business name	Identification / registration number	Country of registration	Method and means of control	Note	Interest via
Cytune Pharma SAS	500998703	France	Company controlled by the same controlling entity by way of ownership interest		Sotio Biotech B.V.
Czech Equestrian Team a.s.	01952684	Czech Republic	Company controlled by the same controlling entity acting in concert by way of ownership interest		SUNDOWN FARMS LIMITED
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.
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	Cyprus	Company controlled by the same controlling entity by way of ownership interest		TELISTAN LIMITED
DRAK INVESTMENT HOLDING LTD	324472	Antigua and Barbuda	Company controlled by the same controlling entity by way of ownership interest		GONDRA HOLDINGS LTD
Dream Yacht Americas, Inc.	D13776851	United States of America	Company controlled by the same controlling entity by way of ownership interest	from 30.9.2021	Dream Yacht Charter
Dream Yacht Australia Pty Ltd	138577634	Australia	Company controlled by the same controlling entity by way of ownership interest	from 30.9.2021	Dream Yacht Charter
Dream Yacht Bahamas Limited	105631118	Bahamas	Company controlled by the same controlling entity by way of ownership interest	from 30.9.2021	Dream Yacht Americas, Inc.
Dream Yacht Belize Ltd	239396	Belize	Company controlled by the same controlling entity by way of ownership interest	from 30.9.2021	Dream Yacht Charter

Business name	Identification / registration number	Country of registration	Method and means of control	Note	Interest via
Dream Yacht Caribean	478532559	Martinique	Company controlled by the same controlling entity by way of ownership interest	from 30.9.2021	Dream Yacht Charter
Dream Yacht Club DOO	080648734	Croatia	Company controlled by the same controlling entity by way of ownership interest	from 30.9.2021	Dream Yacht Nordic AB
Dream Yacht Finance France	844801514	France	Company controlled by the same controlling entity by way of ownership interest	from 30.9.2021	Dream Yacht Méditerranée
Dream Yacht Fleet	844858043	France	Company controlled by the same controlling entity by way of ownership interest	from 30.9.2021	Dream Yacht Finance France
Dream Yacht Grenadines Ltd	No.70 of 2015	Mexico	Company controlled by the same controlling entity by way of ownership interest	from 30.9.2021	Dream Yacht Charter
Dream Yacht Group SA	BE0681876643	Belgium	Company controlled by the same controlling entity by way of ownership interest	from 30.9.2021	BLUE SEA HOLDING Sárl
Dream Yacht Charter	C10039041	Mauritius	Company controlled by the same controlling entity by way of ownership interest	from 30.9.2021	DREAM YACHT GROUP SA
Dream Yacht Charter (Antigua) Limited	C138/13	Antigua and Barbuda	Company controlled by the same controlling entity by way of ownership interest	from 30.9.2021	Dream Yacht Charter
Dream Yacht Charter Balearic, Sociedad Limitada	B57918252	Spain	Company controlled by the same controlling entity by way of ownership interest	from 30.9.2021	Dream Yacht Méditerranée
Dream Yacht Charter Grenada Limited	112OF2013-7013	Mexico	Company controlled by the same controlling entity by way of ownership interest	from 30.9.2021	Dream Yacht Charter
Dream Yacht Charter, SA DE CV (Dream Yacht Mexico)	DYC1408125Z0	Mexico	Company controlled by the same controlling entity by way of ownership interest	from 30.9.2021	Dream Yacht Americas, Inc.

Business name	Identification / registration number	Country of registration	Method and means of control	Note	Interest via
Dream Yacht Italia S.r.l	2113336	France	Company controlled by the same controlling entity by way of ownership interest	from 30.9.2021	Dream Yacht Méditerranée
Dream Yacht Malaysia	793437U	Malaysia	Company controlled by the same controlling entity by way of ownership interest	from 30.9.2021	Dream Yacht Charter
Dream Yacht Méditérranée	494440712	France	Company controlled by the same controlling entity by way of ownership interest	from 30.9.2021	Dream Yacht Charter
Dream Yacht Nordic AB	5564283728	Sweden	Company controlled by the same controlling entity by way of ownership interest	from 30.9.2021	Dream Yacht Méditerranée
Dream Yacht Nouvelle-Calédonie	000963892	France	Company controlled by the same controlling entity by way of ownership interest	from 30.9.2021	Dream Yacht Charter
Dream Yacht Saint Martin	812809143	France	Company controlled by the same controlling entity by way of ownership interest	from 30.9.2021	Dream Yacht Charter
Dream Yacht Seychelles Ltd	8427841	Seychelles	Company controlled by the same controlling entity by way of ownership interest	from 30.9.2021	Dream Yacht Charter
Dream Yacht Tahiti	08179B	France	Company controlled by the same controlling entity by way of ownership interest	from 30.9.2021	Dream Yacht Charter
Dream Yacht Tortola INC.	1463569	British Virgin Islands	Company controlled by the same controlling entity by way of ownership interest	from 30.9.2021	Dream Yacht Charter
Dream Yacht Travel	477550313	France	Company controlled by the same controlling entity by way of ownership interest	from 30.9.2021	Lacani
Dream Yacht USVI LLC	DC0111468	United States of America	Company controlled by the same controlling entity by way of ownership interest	from 30.9.2021	Dream Yacht Charter

Business name	Identification / registration number	Country of registration	Method and means of control	Note	Interest via
Duoland s.r.o.	06179410	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		Prague Entertainment Group B.V.
DYC HELLAS M.C.P.Y.	EL99759440	Greece	Company controlled by the same controlling entity by way of ownership interest	from 30.9.2021	Dream Yacht Méditerranée
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.
Easy Sailing j.d.o.o za usluge, turisticka agencija	080883331	Croatia	Company controlled by the same controlling entity by way of ownership interest	from 30.9.2021	Croatia Yacht Club d.o.o.
Easy Sailing Single-Member Shipping Limited Liability Company	004313901000	Greece	Company controlled by the same controlling entity by way of ownership interest	from 30.9.2021	Dream Yacht Méditerranée
Ecos Yachting	080422270	Croatia	Company controlled by the same controlling entity by way of ownership interest	from 30.9.2021	Dream Yacht Charter
ELTHYSIA LIMITED	HE 290 356	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.
EMPTYCO a.s. (dříve Telematika a.s.)	05418046	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		PPF a.s.
ENADOCO LIMITED	HE 316 486	Cyprus	Company controlled by the same controlling entity by way of ownership interest		Home Credit Group B.V.
Erable B.V.	67330495	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
ESK Developments Limited	1611159	British Virgin Islands	Company controlled by the same controlling entity by way of ownership interest		Chelton Properties Limited
EusebiusBS (Arnhem) B.V.	58163778	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	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	Cyprus	Company controlled by the same controlling entity by way of ownership interest	till 14.8.2021	SALEMONTO LIMITED
Filcommerce Holdings, Inc	CS 201 310 129	Philippines	Company controlled by the same controlling entity by way of ownership interest		HC Philippines Holding B.V.
FLOGESCO LIMITED	HE 172588	Cyprus	Company controlled by the same controlling entity by way of ownership interest		Gilbey Holdings Limited
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.
Fórum Karlín a.s.	08259551	Czech Republic	Company controlled by the same controlling entity by way of ownership interest	from 9.7.2021	Prague Entertainment Group B.V.

Business name	Identification / registration number	Country of registration	Method and means of control	Note	Interest via
Forward leasing LLP	190740032911	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	Cyprus	Company controlled by the same controlling entity by way of ownership interest		DEVEDIACO ENTERPRISES LIMITED
GABELLI CONSULTANCY LIMITED	HE 160 589	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 TRANSPORTATIO N 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	Cyprus	Company controlled by the same controlling entity by way of ownership interest		PPF Real Estate Holding B.V.
GONDRA HOLDINGS LTD	324452	Antigua and Barbuda	Company controlled by the same controlling entity by way of ownership interest		Salonica Holding Limited
GRACESPRING LIMITED	HE 208 337	Cyprus	Company controlled by the same controlling entity by way of ownership interest		PPF Real Estate Holding B.V.
Grandview Resources Corp.	1664098	British Virgin Islands	Company controlled by the same controlling entity by way of ownership interest		Bavella B.V.
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.

Business name	Identification / registration number	Country of registration	Method and means of control	Note	Interest via
HC Consumer Finance Philippines, Inc	CS201301354	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	till 20.9.2021	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	Philippines	Company controlled by the same controlling entity by way of ownership interest		HC Philippines Holding B.V.
HCPH INSURANCE BROKERAGE, INC.	CS201812176	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.
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 Group B.V.	69638284	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		PPF Financial Holdings a.s.
Home Credit India B.V.	52695255	The Netherlands	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 INDIA FINANCE PRIVATE LIMITED	U65910HR1997PTC 047448	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	U74999HR2017FTC 070364	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	Slovakia	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
Home Credit Vietnam Finance Company Limited	307672788	Vietnam	Company controlled by the same controlling entity by way of ownership interest		Home Credit N.V.
HOPAR LIMITED	HE 188 923	Cyprus	Company controlled by the same controlling entity by way of ownership interest		PPF Real Estate Holding B.V.
Horse Arena s.r.o.	04479823	Czech Republic	Company controlled by the same controlling entity acting in concert by way of ownership interest		SUNDOWN FARMS LIMITED

Business name	Identification / registration number	Country of registration	Method and means of control	Note	Interest via
Chelton Properties Limited	1441835	British Virgin Islands	Company controlled by the same controlling entity by way of ownership interest		Renáta Kellnerová
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	Cyprus	Company controlled by the same controlling entity by way of ownership interest		Gilbey Holdings Limited
JARVAN HOLDINGS LIMITED	HE 310 140	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-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
Jokiaura Kakkonen Oy	2401050-2	Finland	Company controlled by the same controlling entity by way of ownership interest		Skoda B.V.
JONSA LIMITED	HE275110	Cyprus	Company controlled by the same controlling entity by way of ownership interest		PPF Real Estate Holding B.V., PPF CYPRUS RE MANAGEMENT LIMITED
Kanal A d.o.o.	5402662000	Slovenia	Company controlled by the same controlling entity by way of ownership interest		PRO PLUS d.o.o.

Business name	Identification / registration number	Country of registration	Method and means of control	Note	Interest via
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
Lacani	799758412	France	Company controlled by the same controlling entity by way of ownership interest	from 30.9.2021	Dream Yacht Group SA
Langen Property B.V.	61012777	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		German Properties B.V.
Latesail Limited	3783328	The United Kingdom of Great Britain and Northern Ireland	Company controlled by the same controlling entity by way of ownership interest	from 30.9.2021	Lacani
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.
Limited Liability Company "Dream Yacht Montenegro" Llc KOTOR	50961329	Montenegro	Company controlled by the same controlling entity by way of ownership interest	from 30.9.2021	Dream Yacht Charter
LINDUS SERVICES LIMITED	HE 281 891	Cyprus	Company controlled by the same controlling entity by way of ownership interest		Bestsport holding a.s.

Business name	Identification / registration number	Country of registration	Method and means of control	Note	Interest via
LLC "Gorod Molodogo Pokolenija"	1187746792914	Russian Federation	Company controlled by the same controlling entity by way of ownership interest		JARVAN HOLDINGS LIMITED
LLC "KARTONTARA"	1197746247247	Russian Federation	Company controlled by the same controlling entity by way of ownership interest	till 31.8.2021	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	till 28.12.2021	LLC "Gorod Molodogo Pokolenija"
LLC Fantom	1053001163302	Russian Federation	Company controlled by the same controlling entity by way of ownership interest		PPF Real Estate s.r.o., PALEOS INDUSTRIES 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.

Business name	Identification / registration number	Country of registration	Method and means of control	Note	Interest via
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.
LLC Charlie Com	1137746330336	Russian Federation	Company controlled by the same controlling entity by way of ownership interest		PPF Real Estate s.r.o.
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	till 16.9.2021	JARVAN HOLDINGS LIMITED
LLC KEPS	1127746190604	Russian Federation	Company controlled by the same controlling entity by way of ownership interest	till 5.7.2021	PPF Real Estate Holding B.V., PALEOS INDUSTRIES B.V.
LLC Kvartal Togliatti	1056320172567	Russian Federation	Company controlled by the same controlling entity by way of ownership interest		PPF Real Estate Holding B.V., PALEOS INDUSTRIES 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		PPF Real Estate s.r.o.

Business name	Identification / registration number	Country of registration	Method and means of control	Note	Interest via
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 My Gym	5157746112915	Russian Federation	Company controlled by the same controlling entity by way of ownership interest		Comcity Office Holding B.V.
LLC Oil Investments	1167746861677	Russian Federation	Company controlled by the same controlling entity by way of ownership interest		PPF Real Estate s.r.o., PALEOS INDUSTRIES 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

Business name	Identification / registration number	Country of registration	Method and means of control	Note	Interest via
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 acting in concert by way of ownership interest		LOSITANTO LIMITED
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		PPF Real Estate s.r.o.
LLC Sotio	1117746901502	Russian Federation	Company controlled by the same controlling entity by way of ownership interest		PPF Biotech B.V.
LLC Spectrum	1097746356806	Russian Federation	Company controlled by the same controlling entity by way of ownership interest	till 9.2.2021	PPF Real Estate Holding B.V., PALEOS INDUSTRIES B.V.
LLC Spetsializirovanniy zastroyschik " Delta Com"	1137746330358	Russian Federation	Company controlled by the same controlling entity by way of ownership interest		LLC Skolkovo Gate
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		PPF Real Estate s.r.o., PPF Cyprus RE Management Limited

Business name	Identification / registration number	Country of registration	Method and means of control	Note	Interest via
LLC Torgovij complex Lipetskiy	1074823001593	Russian Federation	Company controlled by the same controlling entity by way of ownership interest		JARVAN HOLDINGS LIMITED
LLC 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.
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		ŠKODA TRANSPORTATIO N 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	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.
Marina Zaton d.o.o. za nauticki turizam i usluge	080861249	Croatia	Company controlled by the same controlling entity by way of ownership interest	from 30.9.2021	Dream Yacht Charter
MARKÍZA - SLOVAKIA, spol s r.o.	31444873	Slovakia	Company controlled by the same controlling entity by way of ownership interest		CME Slovak Holdings B.V.

Business name	Identification / registration number	Country of registration	Method and means of control	Note	Interest via
MICROLIGHT TRADING LIMITED	HE 224 515	Cyprus	Company controlled by the same controlling entity by way of ownership interest		PPF Real Estate Holding B.V.
MIDDLECAP SEAL HOUSE LIMITED	11669616	The United Kingdom of Great Britain and Northern Ireland	Company controlled by the same controlling entity acting in concert by way of ownership interest		Seal House JV a.s.
Millennium Hotel Rotterdam B.V. (dřive 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.
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.
Miridical Holding Limited	425998	Cyprus	Company controlled by the same controlling entity by way of ownership interest	from 13.12.2021	PPF a.s.
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	Serbia	Company controlled by the same controlling entity by way of ownership interest		PPF Financial Holdings a.s.
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.

Business name	Identification / registration number	Country of registration	Method and means of control	Note	Interest via
MP Holding 2 B.V.	69457018	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		DEVEDIACO ENTERPRISES LIMITED
Murcja sp. z o.o.	0000905867	Poland	Company controlled by the same controlling entity by way of ownership interest	from 29.9.2021	PPF Real Estate s.r.o.
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.
Navigare Yachting AB	5566862354	Sweden	Company controlled by the same controlling entity acting in concert by way of ownership interest	from 5.7.2021	Navigare Yachting Holding AB
Navigare Yachting AS	990383960	Sweden	Company controlled by the same controlling entity acting in concert by way of ownership interest	from 5.7.2021	Navigare Yachting Holding AB
Navigare Yachting Bahamas, Ltd	78803C	Bahamas	Company controlled by the same controlling entity acting in concert by way of ownership interest	from 5.7.2021	Navigare Yachting Holding AB
NAVIGARE YACHTING D.O.O.	43630049107	Croatia	Company controlled by the same controlling entity acting in concert by way of ownership interest	from 5.7.2021	Navigare Yachting Holding AB
Navigare Yachting Global Holding AB	5569860496	Sweden	Company controlled by the same controlling entity acting in concert by way of ownership interest	from 5.7.2021	BLUE SEA HOLDING Sárl

Business name	Identification / registration number	Country of registration	Method and means of control	Note	Interest via
Navigare Yachting Greece Single Member P.C.	132130909000	Greece	Company controlled by the same controlling entity acting in concert by way of ownership interest	from 5.7.2021	Navigare Yachting Holding AB
Navigare Yachting Holding AB	5565747861	Sweden	Company controlled by the same controlling entity acting in concert by way of ownership interest	from 5.7.2021	Navigare Yachting Global Holding AB
Navigare Yachting Ltd	1779855	British Virgin Islands	Company controlled by the same controlling entity acting in concert by way of ownership interest	from 5.7.2021	Navigare Yachting Holding AB
Navigare Yachting Ltd under liquidation	EL999903510	Greece	Company controlled by the same controlling entity acting in concert by way of ownership interest	from 5.7.2021	Navigare Yachting Holding AB
Navigare Yachting Operations Company Limited	0835554001869	Thailand	Company controlled by the same controlling entity acting in concert by way of ownership interest	from 5.7.2021	Navigare Yachting Holding AB
Navigare Yachting Services Single Member P.C.	131919703000	Greece	Company controlled by the same controlling entity acting in concert by way of ownership interest	from 5.7.2021	Navigare Yachting Greece Single Member P.C.
Navigare Yachting Seychelles	8429665-1	Seychelles	Company controlled by the same controlling entity acting in concert by way of ownership interest	from 5.7.2021	Navigare Yachting Holding AB
Navigare Yachting Spain S.L.	B16562860	Spain	Company controlled by the same controlling entity acting in concert by way of ownership interest	from 5.7.2021	Navigare Yachting Holding AB
Navigare Yachting USA, Inc.	371800516	United States of America	Company controlled by the same controlling entity acting in concert by way of ownership interest	from 5.7.2021	Navigare Yachting Holding AB
Navtours INC	1148230619	Canada	Company controlled by the same controlling entity by way of ownership interest	from 30.9.2021	Dream Yacht Charter

Business name	Identification / registration number	Country of registration	Method and means of control	Note	Interest via
Navtours USA INC	F20000004093	United States of America	Company controlled by the same controlling entity by way of ownership interest	from 30.9.2021	Navtours INC
NBWC Limited	1024143	British Virgin Islands	Company controlled by the same controlling entity by way of ownership interest		ESK Developments Limited
Net Gate s.r.o.	24765651	Czech Republic	Company controlled by the same controlling entity by way of ownership interest	till 26. 10. 2021	PPF a.s.
O2 Business Services, a.s.	50087487	Slovakia	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.
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	Slovakia	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.
Oceane Yacht Charter LTD	8419691	Seychelles	Company controlled by the same controlling entity by way of ownership interest	from 30.9.2021	Dream Yacht Seychelles Ltd
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.

Business name	Identification / registration number	Country of registration	Method and means of control	Note	Interest via
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.
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 RE MANAGEMENT LIMITED
POLL,s.r.o.	62967754	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		ŠKODA TRANSPORTATIO N 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	Slovenia	Company controlled by the same controlling entity by way of ownership interest		PRO PLUS d.o.o.
POTLAK LIMITED	HE362788	Cyprus	Company controlled by the same controlling entity by way of ownership interest		Renáta Kellnerová
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	till 1.9.2021	PPF Group N.V.

Business name	Identification / registration number	Country of registration	Method and means of control	Note	Interest via
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	Cyprus	Company controlled by the same controlling entity by way of ownership interest		PPF Group N.V.
PPF Advisory (UK) Limited	5539859	The 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 a.s.
PPF Biotech B.V. (dříve 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	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	Cyprus	Company controlled by the same controlling entity by way of ownership interest		PPF Real Estate s.r.o.
PPF Financial Holdings a.s. (změna sídla, dříve PPF Financial Holding B.V.)	10907718	Czech Republic	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		PPF Group N.V.

Business name	Identification / registration number	Country of registration	Method and means of control	Note	Interest via
PPF FO Management B.V.	34186296	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		Renáta Kellnerová
PPF FrenchCo SAS	888264744	France	Company controlled by the same controlling entity by way of ownership interest		Skoda 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		Renáta Kellnerová, 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		Renáta Kellnerová
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 RE Consulting s.r.o. (dříve PPF Financial Consulting s.r.o.)	24225657	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		PPF Real Estate 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	Cyprus	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
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 RE Consulting s.r.o.
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	Cyprus	Company controlled by the same controlling entity by way of ownership interest		PPF CYPRUS MANAGEMENT LIMITED
PPF SERVICES LIMITED	HE 92432	Cyprus	Company controlled by the same controlling entity by way of ownership interest	till 26.7.2021	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.	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	till 12.2.2021	PPF Telecom Group B.V.
PPF TMT Bidco 2 B.V (dříve 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.

Business name	Identification / registration number	Country of registration	Method and means of control	Note	Interest via
Pro Digital S.R.L.	1003600048028	Republic of Moldova	Company controlled by the same controlling entity by way of ownership interest		CME Media Enterprises B.V.
PRO PLUS d.o.o.	5895081000	Slovenia	Company controlled by the same controlling entity by way of ownership interest		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		CME Media Enterprises B.V.
PT Home Credit Indonesia	03.193.870.7-021.000	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	Kazakhstan	Company controlled by the same controlling entity by way of ownership interest		Vsegda Da N.V., Forward leasing LLP (KZ)
Raccom EAD	200625769	Bulgaria	Company controlled by the same controlling entity by way of ownership interest	from 9.7.2021 till 1. 12. 2021	Sofia Communications EAD
Radiocompany C.J. OOD	131117650	Bulgaria	Company controlled by the same controlling entity by way of ownership interest		BTV 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	Cyprus	Company controlled by the same controlling entity by way of ownership interest		Home Credit Group B.V.

Business name	Identification / registration number	Country of registration	Method and means of control	Note	Interest via
REPIENO LIMITED	HE 282 866	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	Cyprus	Company controlled by the same controlling entity by way of ownership interest		Home Credit Group B.V.
Roses Yachts S.L	B17778598	Spain	Company controlled by the same controlling entity by way of ownership interest	from 30.9.2021	Drem Yacht Charter Balearic, Sociedad Limitada
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	Cyprus	Company controlled by the same controlling entity by way of ownership interest		PPF Real Estate Holding B.V.
Salonica Holding Limited	1949492	British Virgin Islands	Company controlled by the same controlling entity by way of ownership interest		Renáta Kellnerová
SATACOTO Ltd.	HE 155018	Cyprus	Company controlled by the same controlling entity by way of ownership interest		Skoda B.V.
SB JSC Bank Home Credit	513-1900-AO (UI)	Kazakhstan	Company controlled by the same controlling entity by way of ownership interest		LLC Home Credit & Finance Bank
SCI LA FORET	309844371	France	Company controlled by the same controlling entity by way of ownership interest		Renáta Kellnerová
SCT Cell Manufacturing s.r.o.	14088266	Czech Republic	Company controlled by the same controlling entity by way of ownership interest	from 22. 12. 2021	PPF Biotech B.V.
SCTbio a.s. (dříve SOTIO a.s.)	24662623	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		PPF Biotech B.V.

Business name	Identification / registration number	Country of registration	Method and means of control	Note	Interest via
Seal House JV a.s.	09170782	Czech Republic	Company controlled by the same controlling entity acting in concert by way of ownership interest		PPF Real Estate s.r.o.
Selman Resources Limited	1005589	British Virgin Islands	Company controlled by the same controlling entity by way of ownership interest		SR Development Limited
SEPTUS HOLDING LIMITED	HE 316 585	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.
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	Cyprus	Company controlled by the same controlling entity by way of ownership interest		Gilbey Holdings Limited
Skoda B.V. (dříve PPF IndustryCo B.V., 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.
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 TRANSPORTATIO N a.s.
Skoda Transportation GmbH (dříve D - Toll Holding GmbH)	HRB 191929 B	The Federal Republic of Germany	Company controlled by the same controlling entity by way of ownership interest		Skoda B.V.
Smart home security s.r.o.	06321399	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		Bolt Start Up Development a.s.

Business name	Identification / registration number	Country of registration	Method and means of control	Note	Interest via
SNC T 2008	513120949	France	Company controlled by the same controlling entity by way of ownership interest	from 30.9.2021	Dream Yacht Tahiti
Sofia Communications EAD	130806190	Bulgaria	Company controlled by the same controlling entity by way of ownership interest	from 9.7.2021	CETIN Bulgaria EAD
SOTIO Biotech a.s.	10900004	Czech Republic	Company controlled by the same controlling entity by way of ownership interest	from 28. 5. 2021	Sotio Biotech B.V.
SOTIO Biotech AG (dříve Cytune Pharma AG)	CHE-354.429.802	Greece	Company controlled by the same controlling entity by way of ownership interest		Sotio Biotech B.V.
SOTIO Biotech B.V. (dříve Cytune Pharma B.V.)	80316557	The Netherlands	Company controlled by the same controlling entity by way of ownership interest		PPF Biotech B.V.
SOTIO Biotech Inc. (dříve Sotio Biotech LLC)	EIN 35-2424961	United States of America	Company controlled by the same controlling entity by way of ownership interest		SOTIO Biotech a.s.
Sotio Medical Research (Beijing) Co. Ltd	110000410283022	People's Republic of China	Company controlled by the same controlling entity by way of ownership interest		SCTbio a.s.
SOTIO N.V.	34302290	The Netherlands	Company controlled by the same controlling entity by way of ownership interest	till 22.7.2021	PPF Group N.V.
SOTIO Therapeutics AG	CHE-385.585.958	Greece	Company controlled by the same controlling entity by way of ownership interest		SCTbio a.s.
SR Boats Limited	2016073	British Virgin Islands	Company controlled by the same controlling entity by way of ownership interest		SR Development Limited
SR Development Limited	1968975	British Virgin Islands	Company controlled by the same controlling entity by way of ownership interest		Chelton Properties Limited

Business name	Identification / registration number	Country of registration	Method and means of control	Note	Interest via
SR-R Limited	708998	British Virgin Islands	Company controlled by the same controlling entity by way of ownership interest		SR Development Limited
STEL-INVEST s.r.o.	26238365	Czech Republic	Company controlled by the same controlling entity by way of ownership interest	till 1.2.2021	CETIN a.s.
Stellar Holding s.r.o.	14005816	Czech Republic	Company controlled by the same controlling entity by way of ownership interest	from 24.11.2021	PPF Group N.V.
STEPHOLD LIMITED	HE 221 908	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	Cyprus	Company controlled by the same controlling entity by way of ownership interest		SALEMONTO LIMITED
Sun Belt Multi I, LLC	20213849720	United States of America	Company controlled by the same controlling entity by way of ownership interest	from 29.11.2021	PPF Real Estate I, Inc.
Sun Belt Office I Interholdco, LLC	20210215807	United States of America	Company controlled by the same controlling entity by way of ownership interest	from 25.1.2021	PPF Real Estate I, Inc.
Sun Belt Office I, LLC	20210116384	United States of America	Company controlled by the same controlling entity by way of ownership interest	from 14.1.2021	Sun Belt Office I Interholdco, LLC
Sun Belt Office II Interholdco, LLC	20213597548	United States of America	Company controlled by the same controlling entity by way of ownership interest	from 25.10.2021	PPF Real Estate I, Inc.
Sun Belt Office II, LLC	20213597547	United States of America	Company controlled by the same controlling entity by way of ownership interest	from 25.10.2021	Sun Belt Office II Interholdco, LLC
SUNDOWN FARMS LIMITED	HE 310 721	Cyprus	Company controlled by the same controlling entity acting in concert by way of ownership interest		Vixon Resources Limited, Chelton Properties Limited

Business name	Identification / registration number	Country of registration	Method and means of control	Note	Interest via
SYLANDER CAPITAL LIMITED	HE 316 597	Cyprus	Company controlled by the same controlling entity by way of ownership interest		Home Credit Group B.V.
Škoda a.s.	14070421	Czech Republic	Company controlled by the same controlling entity by way of ownership interest	from 16.12.2021	Skoda B.V.
ŠKODA CITY SERVICE s.r.o.	29119057	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		ŠKODA TRANSPORTATIO N a.s.
ŠKODA DIGITAL s.r.o.	01731530	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		ŠKODA TRANSPORTATIO N a.s.
ŠKODA EKOVA a.s.	28642457	Czech Republic	Company controlled by the same controlling entity by way of ownership interest	from 2.8.2021	ŠKODA TRANSPORTATIO N a.s.
ŠKODA ELECTRIC a.s.	47718579	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		ŠKODA TRANSPORTATIO N a.s.
ŠKODA ICT s.r.o.	27994902	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		ŠKODA INVESTMENT a.s.
ŠKODA INVESTMENT a.s.	26502399	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		Skoda B.V.
ŠKODA PARS a.s. (dříve Pars nova a.s.)	25860038	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		ŠKODA TRANSPORTATIO N a.s.

Business name	Identification / registration number	Country of registration	Method and means of control	Note	Interest via
ŠKODA POLSKA Sp.z o.o.	NIP 7010213385	Poland	Company controlled by the same controlling entity by way of ownership interest		ŠKODA TRANSPORTATIO N a.s.
ŠKODA RAIL s.r.o.	05822149	Czech Republic	Company controlled by the same controlling entity by way of ownership interest	till 1.1.2021	ŠKODA TRANSPORTATIO N a.s.
ŠKODA SERVIS s.r.o.	26351277	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		ŠKODA INVESTMENT a.s.
ŠKODA TRANSPORTATIO N a.s.	62623753	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		Skoda B.V.
Škoda Transportation Balkan d.o.o.	21736473	Serbia	Company controlled by the same controlling entity by way of ownership interest	from 19.11.2021	ŠKODA TRANSPORTATIO N a.s.
ŠKODA TRANSPORTATIO N UKRAINE, LLC	42614252	Ukraine	Company controlled by the same controlling entity by way of ownership interest		ŠKODA TRANSPORTATIO N 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 TRANSPORTATIO N a.s.
ŠKODA TRANSTECH OY	1098257-0	Finland	Company controlled by the same controlling entity by way of ownership interest		ŠKODA TRANSPORTATIO N a.s.
ŠKODA TVC s.r.o.	25247964	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		ŠKODA TRANSPORTATIO N a.s.
ŠKODA VAGONKA a.s.	25870637	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		ŠKODA TRANSPORTATIO N a.s.
TALPA ESTERO LIMITED	HE 316 502	Cyprus	Company controlled by the same controlling entity by way of ownership interest		Home Credit Group B.V.

Business name	Identification / registration number	Country of registration	Method and means of control	Note	Interest via
TANAINA HOLDINGS LIMITED	HE318483	Cyprus	Company controlled by the same controlling entity by way of ownership interest		TOLESTO LIMITED
Tanemo a.s.	9834273	Czech Republic	Company controlled by the same controlling entity by way of ownership interest	from 18.1.2021	PPF Group N.V.
Te Arearea	07295C	France	Company controlled by the same controlling entity by way of ownership interest	from 30.9.2021	Archipels Croisiéres
Telenor Bulgaria EAD	130460283	Bulgaria	Company controlled by the same controlling entity by way of ownership interest		PPF TMT Bidco 1 B.V.
Telenor Common Operation Ztr.	13-10-041370	Hungary	Company controlled by the same controlling entity by way of ownership interest	till 26.7.2021	CETIN Group N.V.
Telenor d.o.o. Beograd	20147229	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	till 21.12.2021	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	Cyprus	Company controlled by the same controlling entity by way of ownership interest		PPF Real Estate s.r.o.
Temsa Deutschland GmbH	DE256871263	The Federal Republic of Germany	Company controlled by the same controlling entity acting in concert by way of ownership interest		Temsa Skoda Sabanci Ulaşım Araçları A.Ş.

Business name	Identification / registration number	Country of registration	Method and means of control	Note	Interest via
TEMSA EGYPT for Bus Manufacturing & Engineering SAE	3028	Egypt	Company controlled by the same controlling entity acting in concert by way of ownership interest		Temsa Skoda Sabanci Ulaşım Araçları 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		Temsa Skoda Sabanci Ulaşım Araçları A.Ş.
Temsa Skoda Sabanci Ulaşım Araçları A.Ş. (dříve Temsa Ulaşim Araçlari San.ve Tic. A.Ş.)	8380046749	Turkey	Company controlled by the same controlling entity acting in concert by way of ownership interest		Skoda 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 Stores ČR a.s.
Tesco Mobile Slovakia, s.r.o.	36863521	Slovakia	Company controlled by the same controlling entity by way of ownership interest		O2 Slovakia, s. r. o.
TFR SAS	FR 27 878443936	France	Company controlled by the same controlling entity acting in concert by way of ownership interest		Temsa Skoda Sabanci Ulaşım Araçları A.Ş.
The Culture Trip (USA) Ltd.	5908200	United States of America	Company controlled by the same controlling entity by way of ownership interest		The Culture Trip Ltd
The Culture Trip Ltd	7539023	The United Kingdom of Great Britain and Northern Ireland	Company controlled by the same controlling entity by way of ownership interest		The Culture Trip Sárl.
The Culture Trip Sárl.	B220626	Grand Duchy of Luxembourg	Company controlled by the same controlling entity by way of ownership interest		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		Shenzhen Home Credit Xinchi Consulting Co., Ltd.

Business name	Identification / registration number	Country of registration	Method and means of control	Note	Interest via
TIMEWORTH HOLDINGS LTD.	HE 187 475	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		CETIN Group N.V.
TOLESTO LIMITED	HE 322 834	Cyprus	Company controlled by the same controlling entity by way of ownership interest		PPF Real Estate Holding B.V., PPF CYPRUS RE MANAGEMENT LIMITED
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.
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 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		CME Media Enterprises B.V.
Usconfin 1 DAC	619282	Martinique	Company controlled by the same controlling entity by way of ownership interest		PPF Financial Holdings a.s.

Business name	Identification / registration number	Country of registration	Method and means of control	Note	Interest via
VELTHEMIA LIMITED	HE 282 891	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
Vents de Mer	432981934	France	Company controlled by the same controlling entity by way of ownership interest	from 30.9.2021	Lacani
VGBC Limited	700080	British Virgin Islands	Company controlled by the same controlling entity by way of ownership interest		Chelton Properties Limited
VGMC Limited	709492	British Virgin Islands	Company controlled by the same controlling entity by way of ownership interest		ESK Developments Limited
Vixon Resources Limited	144 18 84	British 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.
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.	45274100	Czech Republic	Company controlled by the same controlling entity by way of ownership interest		Skoda B.V.
Wagnerford Holdings Limited	HE 210154	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	British Virgin Islands	Company controlled by the same controlling entity by way of ownership interest		Chelton Properties Limited

Business name	Identification / registration number	Country of registration	Method and means of control	Note	Interest via
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.	05714354	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.
Ziza d.o.o za trgovinu, ugostiteljstvo, turizam i promet	060159616	Croatia	Company controlled by the same controlling entity by way of ownership interest	from 30.9.2021	Marina Zaton d.o.o. za nauticki turizam i usluge

CETIN a.s.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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 2 March 2022 and were signed on its behalf by:

Filip Cába	**Michal Frankl**
Vice-chairman of the Board of Directors	Member of the Board of Directors

CONTENT

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

In CZK million	**Note**	**For the year ended 31 December 2021**	**31 December 2020**
Revenues	5	18,183	18,881
Other income from non-telecommunication services		247	258
Expenses	6	(9,544)	(10,326)
Earnings before impairment loss, interest, tax, depreciation and amortization (*EBITDA*)		**8,886**	**8,813**
Depreciation and amortisation	9, 10, 11	(5,403)	(4,911)
Impairment loss	9, 11	(159)	(47)
Operating profit (*EBIT*)		**3,324**	**3,855**
Finance income	7	552	13
Finance costs	7	(649)	(705)
Profit before tax		3,227	3,163
Corporate income tax	8	(653)	(617)
Profit for the year		**2,574**	**2,546**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Translation differences		2	-
Cash flow hedges – effective portion of changes in fair value	23	(111)	(515)
Related deferred tax	18	21	98
Total other comprehensive income, net of tax		**(88)**	**(417)**
Total comprehensive income, net of tax		**2,486**	**2,129**
Profit attributable to:			
Equity holders of the Company		2,574	2,546
Total comprehensive income attributable to:			
Equity holders of the Company		2,486	2,129

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In CZK million	Note	As at 31 December 2021	31 December 2020
ASSETS			
Property, plant and equipment	9	47,781	48,204
Intangible assets	11	2,151	1,842
Right of use assets	10	4,926	4,920
Other assets	14	469	415
Non-current assets		**55,327**	**55,381**
Inventories	12	96	67
Trade and other receivables	13	2,903	3,380
Advance payments and other assets	14	646	306
Income tax receivable		-	1
Cash and cash equivalents	15	740	1,411
Current assets		**4,385**	**5,165**
Non-current assets held for sale	9	**5**	**-**
Total assets		**59,717**	**60,546**
EQUITY AND LIABILITIES			
Share capital	23	3,103	3,102
Reserves	23	-	88
Other funds	23	14,620	14,620
Retained earnings	23	2,600	2,567
Total equity		**20,322**	**20,377**
Long-term financial debts	17	20,389	4,844
Deferred tax liability	18	5,910	6,087
Non-current provisions for liabilities and charges	19	214	376
Lease liability	17	4,247	4,259
Non-current other liabilities	16	1,459	1,575
Non-current liabilities		**32,219**	**17,141**
Short-term financial debts	17	23	16,412
Trade and other payables	16	6,069	5,555
Lease liability	17	844	809
Income tax liability	8	152	136
Provisions for liabilities and charges	19	88	116
Current liabilities		**7,176**	**23,028**
Total liabilities		**39,395**	**40,169**
Total equity and liabilities		**59,717**	**60,546**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

In CZK million	Note	Share capital	Foreign exchange translation reserve	Hedging reserve	Other capital funds	Retained earnings	Total
As at 31 Decemeber 2020		**3,102**	**(2)**	**90**	**14,620**	**2,567**	**20,377**
Impact of the merger*		-	-	-	-	-	-
As at 1 January 2021		**3,102**	**(2)**	**90**	**14,620**	**2,567**	**20,377**
Profit for the year		-	-	-	-	2,574	2,574
Effective portion of changes in fair value of cash-flow hedges		-	-	(461)	-	-	(461)
Net change in fair value of cash-flow hedges transferred into income statement		-	-	350	-	-	350
Tax on items taken directly to or transferred from equity		-	-	21	-	-	21
Other comprehensive income		-	2	-	-	-	2
Total comprehensive income		**-**	**2**	**(90)**	**-**	**2,574**	**2,486**
Dividends paid	23	-	-	-	-	(2,536)	(2,536)
Other distribution and roundings		-	-	-	-	(5)	(5)
As at 31 December 2021		**3,102**	**-**	**-**	**14,620**	**2,600**	**20,322**

* 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 with the financial impact to retained earnings of 413 ths CZK. The decisive date of this merger was 1 January 2021.

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	23	-	-	-	-	(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**

CONSOLIDATED STATEMENT OF CASH FLOWS

In CZK million	**Note**	**For the year ended 31 December 2021**	**31 December 2020**
Profit for the year		2,574	2,546
Non-cash adjustments for:			
Depreciation and amortisation	9, 10, 11	5,403	4,911
Impairment loss	9, 11	159	47
Profit on sale of property, plant and equipment	9	(42)	(71)
Net finance costs/revenues	7	574	496
Foreign exchange gains/losses (net)	7	(477)	196
Bad debts		(27)	(20)
Tax expense	8	653	617
Operating cash flow before working capital changes		**8,817**	**8,722**
Working capital adjustments:			
Change in trade and other receivables		(174)	792
Change in inventories		(29)	(6)
Change in trade and other payables		(413)	(1,025)
Change in provisions		(32)	21
Cash flows from operating activities		**8,169**	**8,504**
Interest received		5	13
Income tax paid	8	(792)	(509)
Net cash flow from operating activities		**7,382**	**8,008**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangibles		(3,976)	(4,363)
Proceeds from sales of property, plant and equipment and intangible assets		28	63
Investment in subsidiaries	25	-	(5)
Net cash used in investing activities		**(3,948)**	**(4,305)**
Cash flows from financing activities			
Interest paid related to bonds		(287)	(300)
Interest paid from lease liability		(142)	(153)
Interest received from hedging derivative		29	37
Other finance charges received/paid		(46)	(63)
Grant of loan		15,888	-
Repayment of bonds		(15,884)	-
Net proceeds from settlement of hedging derivatives		(857)	-
Net proceeds from settlement of FX derivatives		52	-
Cash collateral placed due to derivatives transactions	13	325	(99)
Dividends paid	23	(2,536)	(2,794)
Lease payments		(639)	(651)
Net cash used in financing activities		**(4,097)**	**(4,023)**
Net increase in cash and cash equivalents		**(663)**	**(320)**
Cash and cash equivalents at beginning of year	15	1,411	1,726
Effect of foreign exchange rate movements on cash and cash equivalents		(8)	5
Cash and cash equivalents at the year end	15	**740**	**1,411**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

As at 1 January 2021 (decisive date) CETIN a.s. merged with its subsidiary STEL-INVEST s.r.o. as part of a domestic merger. In 2021 the liquidation of the subsidiary CZECH TELECOM Germany GmbH was completed and on 4 February 2022 it was removed from the Commercial register.

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

The sole shareholder of the Group as at 31 December 2021 is CETIN Group N.V. (part of the PPF Group). Further details are described in Note 23.

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 2,242 in 2021 (2020: 2,172).

The consolidated financial statements were approved for issue by the Company’s Board of Directors on 2 March 2022.

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 which are measured at lower of cost and fair value less cost to sell, and financial derivatives 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 18).

(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.

(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 19). 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 20), 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 24. The 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.

(6) 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. For contracts concluded for an indefinite period (or contracts with the possibility of extension on the part of the Group), based on management's assessment, plans and expected changes in technology it was set a depreciation period till 31 December 2030. The contracts mainly represent lease relations due to the location of technological equipment of both mobile and fixed networks.

3. SIGNIFICANT ACCOUNTING POLICIES

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

New IFRS not effective as at 31 December 2021 (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		**Effectiveness***
IFRS 16 (amendment)	Covid-19-Rent related concessions beyond 30 June 2021	1 April 2021
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 Disclosure of accounting policies	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
IAS 8 (amendment)	Definition of accounting estimates	1 January 2023
IAS 12 (amendment)	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
Annual revision IFRS 2018 – 2020	Amendment to IFRS 9 Financial Instrument Amendment of illustrative examples to IFRS 16 Leases	1 January 2022

* effective for the period commencing from the stated date

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

The Group has consistently applied the accounting policies set out below, except as descried above in the section Adoption of new or revised IFRS standards and interpretations.

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 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, where appropriate, 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

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 rights (easements, domain). 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. 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 non-financial assets

Non-financial assets, except inventory and deferred tax 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 are 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.

(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.

(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 at fair value, net of transaction costs incurred. In subsequent periods, they are stated at amortised cost using the effective interest rate method; any difference between the amount initially recognised 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

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.

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.

As a lessee:

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 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 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 Group does not recognise right of use assets and liabilities for leases of low-value assets (copy machines, other office equipment). The lease payments associated with the low-value assets leases are 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, if any, 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 any write-down 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 provides its employees with supplementary pension insurance in the form of payments to insurance companies within the framework of a valid pension plan. 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 2021 using a long-term real rate of interest in the range from 4.60% to 5.89% 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. As at 31 December 2021 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 mainly for O2 and other telecommunication operators. The service is provided on continuous basis and is regularly invoiced in the form of a service fee. The contract with O2 is a long term contract (Note 24). The revenue is recognized over the time as the same services are provided evenly through the contract.

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 network line is used for price calculation, but does not in itself represent a separate customer benefit.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 network line is used for price calculation, but does not in itself represent a separate customer benefit. 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 deferred at the time of signing of the contract and recognized as revenue on straight-line basis over the contract term. The contracts contain significant substitution right regarding the optical fiber. 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 from the network sharing project are recognized at net value. These are mutually provided services of the same nature and in the same value within the project, representing a barter transaction without financial performance. The revenue is recognized on an ongoing basis. 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.

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) Accounting for 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 whether the derivative is designated as a hedging instrument and 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 2021 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) Alternative earnings measures

The Group presents certain alternative earnings measures such as EBITDA, EBIT which are not defined by IFRSs. As used in these consolidated financial statements, the following terms have the following meaning:

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

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

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 2021 **In CZK million**	**Domestic services**	**International transit**	**Total reportable segments**	**Reconciling items**	**Group**
Revenues	12,218	5,965	18,183	-	18,183
Other income from non-telecommunication services	-	-	-	247	247
Total costs	(3,596)	(5,701)	(9,297)	(247)	(9,544)
Earnings before impairment loss, interest, tax, depreciation and amortization (*EBITDA*)	**8,622**	**264**	**8,886**	**-**	**8,886**
Total depreciation and amortization	(5,382)	(21)	(5,403)	-	(5,403)
Impairment charge	(159)	-	(159)	-	(159)
Operating income (EBIT)	**3,081**	**243**	**3,324**	**-**	**3,324**
Net financial loss					(97)
Profit before tax					3,227
Corporate income tax					(653)
Profit for the year					**2,574**
As at 31 December 2021					
Total assets	**58,810**	**907**	**59,717**	**-**	**59,717**
Trade and other payables	5,280	789	6,069	-	6,069
Lease liability	5,091	-	5,091	-	5,091
Other liabilities	28,235	-	28,235	-	28,235
Total liabilities	**38,606**	**789**	**39,395**	**-**	**39,395**
Capital expenditure (Property, plant, equipment and intangible assets additions)	**4,695**	**32**	**4,727**	**-**	**4,727**

Year ended 31 December 2020	**Domestic services**	**International transit**	**Total reportable segments**	**Reconciling items**	**Group**
In CZK million					
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**

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 2021 these revenues are CZK 9,405 million (31 December 2020: CZK 9,616 million). Other income from non-telecommunication services is CZK 51 million (31 December 2020: CZK 49 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 2021**	**Year ended** **31 December 2020**
Czech Republic	12,371	13,095
Germany	648	699
Slovakia	390	485
Other EU countries	2,336	3,134
Switzerland	111	125
Other Non-EU countries	2,327	1,343
Total revenues	**18,183**	**18,881**

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 2021**	**Year ended** **31 December 2020**
Domestic service		
Revenues from mobile network services	5,237	5,114
Revenues from fixed network mass service	4,482	4,422
Revenues from data services	1,377	1,382
Other telecommunication revenues	1,122	1,106
	12,218	**12,024**
International transit		
Revenues from transit services	5,965	6,857
Celkem	**18,183**	**18,881**

Revenues from related parties are disclosed in Note 24.

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 2021**
Domestic service	**Czech Republic**	**EU**	**Non EU**	**Total**
Revenues from mobile network services	5,237	-	-	5,237
Revenues from fixed network mass service	4,482	-	-	4,482
Revenues from data services	1,291	51	35	1,377
Other telecommunication revenues	1,053	45	24	1,122
	12,063	**96**	**59**	**12,218**
International transit	**Czech Republic**	**EU**	**Non EU**	**Total**
Revenues from transit services	308	3,278	2,379	5,965
Total	**12,371**	**3,374**	**2,438**	**18,183**

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**

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 363 million, which was recognized as at 1 January 2021 as contract liabilities, was recognized as revenues in 2021 (2020: CZK 395 million).

Contract balances:

In CZK million	**Note**	**31 December 2021**	**31 December 2020**
Trade receivables	13	2,809	2,959
Contract liabilities (included in the position Deferred revenue and Other non-current liabilities)	16	1,774	1,928

In 2021, 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 2021.

In CZK million	**Performance obligations to be satisfied**				
	Less than 1 year	**Between 1-2 years**	**Between 3-5 years**	**More than 5 years**	**Total**
Revenues from mobile network services	5,563	5,563	16,594	26,323	54,043
Revenues from fixed network mass service	1,661	124	247	43	2,075
Revenues from data services	942	492	221	105	1,760
Other telecommunication revenues	313	308	589	731	1,941
Total	**8,479**	**6,487**	**17,651**	**27,202**	**59,819**

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 contracts concluded in each category, the Group has 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 2021**	**Year ended** **31 December 2020**
The amount which increases the revenues	27	27
Interest expense	(40)	(40)

6. EXPENSES

Expenses **In CZK million**	**Year ended** **31 December 2021**	**Year ended** **31 December 2020**
Supplies	(5,926)	(6,891)
Staff costs	(1,324)	(1,370)
External services	(2,240)	(2,034)
Provisions for bad debts and inventories	27	20
Other expenses	(81)	(51)
Total expenses	**(9,544)**	**(10,326)**

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 2021 amounted to CZK 7 million (31 December 2020: CZK 5 million).

Purchases from related parties are disclosed in Note 24.

7. FINANCE INCOME AND COSTS

In CZK million	**Year ended** **31 December 2021**	**Year ended** **31 December 2020**
Finance income		
Interest income	5	13
Foreign exchange gain (net)	477	-
Other finance income	70	-
Total finance income	**552**	**13**

In CZK million	**Year ended 31 December 2021**	**Year ended 31 December 2020**
Finance costs		
Interest expenses related to bonds	(283)	(280)
Interest expenses related to financial component	(40)	(40)
Interest expenses related to lease liability	(142)	(153)
Foreign exchange loss (net)	-	(196)
Other finance costs	(184)	(36)
Total finance costs	**(649)**	**(705)**

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 29 million (31 December 2020: CZK 37 million).

8. INCOME TAX

In CZK million	**Year ended 31 December 2021**	**Year ended 31 December 2020**
Total income tax expense is made up of:		
Current income tax charge	808	634
Deferred income tax credit (Note 17)	(155)	(17)
Total income tax	**653**	**617**

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 2021**	**Year ended 31 December 2020**
Profit before tax	3,227	3,163
Income tax charge calculated at the statutory rate of 19%	(613)	(601)
Tax non-deductible expenses	(12)	(11)
Income tax related to prior years	(10)	(16)
Other differences	(18)	11
Income tax expense	**(653)**	(617)
Effective tax rate	20.24%	19.51%

As at 31 December 2021, the total amount of provisions for current income taxes is CZK 798 million (31 December 2020: CZK 616 million), advances paid for income taxes is CZK 646 million (31 December 2020: CZK 481 million), the net deferred tax liability is CZK 5,910 million (31 December 2020: CZK 6,087 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 2021						
Opening net book amount	5,012	33,080	8,043	309	1,760	**48,204**
Additions	82	1,011	1,020	62	1,768	**3,943**
Disposals	(11)	(1)	(2)	(1)	(6)	**(21)**
Transfers	88	376	372	9	(845)	-
Reclassifications	-	(1)	3	4	3	**9**
Depreciation	(304)	(1,928)	(1,884)	(84)	-	**(4,200)**
Impairment	-	-	-	-	(149)	**(149)**
Reclassification to/from Assets held for sale	(5)	-	-	-	-	**(5)**
Closing net book amount	4,862	32,537	7,552	299	2,531	**47,781**
As at 31 December 2021						
Cost	7,264	46,060	16,706	654	2,704	**73,388**
Accumulated depreciation	(2,402)	(13,523)	(9,154)	(355)	(173)	**(25,607)**
Net book amount	4,862	32,537	7,552	299	2,531	**47,781**

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 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 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**

As at 31 December 2021, the carrying value of land, which is non-depreciated asset, amounted to CZK 160 million (31 December 2020: CZK 174 million).

In 2021 the impairment for tangible assets of CZK 149 million relates to failed projects in process and spare parts and material for investment to be liquidated (31 December 2020: CZK 46 million).

As at 31 December 2021 the Group has identified Assets held for sale in the net book value of CZK 5 million (31 December 2020: CZK 0 milion). As at 31 December 2021 and 31 December 2020 all the Assets held for sale is part of the Domestic services segment.

No property, plant and equipment were pledged as at 31 December 2021 and 31 December 2020.

For the year ended 31 December 2021, the Group achieved a total gain from the sale of the fixed assets of CZK 58 million (31 December 2020: CZK 80 million) and total losses of CZK 16 million (31 December 2020: CZK 9 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. This is a barter transaction without financial performance.

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 2021					
Opening net book amount	4,348	46	436	90	**4,920**
Merger impact	(6)	-	4	(3)	**(5)**
Additions	54	-	3	69	**126**
Modifications	598	(11)	30	6	**623**
Disposals	-	-	-	-	-
Reclassifications	-	-	-	-	-
Depreciation	(619)	(1)	(58)	(60)	**(738)**
Impairment	-	-	-	-	-
Closing net book amount	4,375	34	415	102	**4,926**
As at 31 December 2021					
Cost	6,181	43	568	252	**7,044**
Accumulated depreciation	(1,806)	(9)	(153)	(150)	**(2,118)**
Net book amount	4,375	34	415	102	**4,926**

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 2021, the lease term for leases for an indefinite period was reassessed to be in line with the long-term plan of the Group. The lease term for these contracts was extended to 31 December 2030. The overall impact is an increase in the balance of Right of use assets by CZK 223 million. Further details are described in Note 2(6).

The right of use assets arising from leases between related parties are disclosed in Note 24.

11. INTANGIBLE ASSETS

In CZK million	Goodwill	Software	Rights and other	Construction in progress	Total
As at 31 December 2021					
Opening net book amount	16	1,414	277	135	**1,842**
Additions	-	690	22	72	**784**
Disposals	-	-	-	-	-
Transfers	-	72	13	(85)	-
Reclassifications	-	(6)	-	6	-
Amortisation charge	-	(445)	(20)	-	**(465)**
Impairment	-	-	-	(10)	**(10)**
Closing net book amount	16	1,725	292	118	**2,151**
As at 31 December 2021					
Cost	16	4,181	410	118	**4,725**
Accumulated amortisation	-	(2,456)	(118)	-	**(2,574)**
Net book amount	16	1,725	292	118	**2,151**

In CZK million	Goodwill	Software	Rights and other	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**

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 2021	31 December 2020
Telecommunication material	58	52
Other	38	15
Total	**96**	**67**

The inventories stated above are net of an allowance cumulative write down for obsolete inventory of CZK 7 million (31 December 2020: CZK 7 million). The amount of inventories recognised as an expense is CZK 155 million (31 December 2020: CZK 135 million).

In 2021 and 2020, the Group had no inventories pledged as a security for liabilities.

13. TRADE AND OTHER RECEIVABLES

In CZK million	31 December 2021	31 December 2020
Trade receivables from third parties (net)	1,830	1,982
Receivables with related parties (Note 24)	979	977
Derivative financial assets	1	-
Cash collateral placed due to derivatives transactions (Note 17)	88	412
Other debtors (net)	5	9
Total trade and other receivables	**2,903**	**3,380**

In 2021 and 2020, all the receivables were short-term.

Receivables from related parties are disclosed in Note 24.

Trade receivables and other debtors are stated net of bad debt provision of CZK 69 million (31 December 2020: CZK 103 million).

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

31 December 2020		Overdue				
In CZK million	Due	Less than 90 days	91 and 180 days	181 and 365 days	More than 365 days	**Total**
Trade receivables and other debtors	2,479	239	279	32	42	**3,071**
Bad debt provision	(14)	(6)	(15)	(26)	(42)	**(103)**
Total	2,465	233	264	6	-	**2,968**

Bad debt provisions **In CZK million**	
As at 1 January 2020	**127**
Additions	57
Write-offs	(4)
Paid receivables	(77)
As at 31 December 2020	**103**
Additions	38
Write-offs	(8)
Paid receivables	(64)
As at 31 December 2021	**69**

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.

Cash collateral placed represents the one-side collateral of derivative transactions of the Group, see Note 17. 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 2021 the short term part of the collateral placed represents CZK 88 million (31 December 2020: CZK 412 million) and long term part CZK 0 million (31 December 2020: CZK 0 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 2021**	**31 December 2020**
Gross amounts of trade receivables	2,113	2,410
Amounts that are set off against trade payables (note 16)	(432)	(418)
Net amounts of trade receivables	1,681	1,992

14. ADVANCE PAYMENTS AND OTHER ASSETS

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

In CZK million	**31 December 2020**	
	Short term	**Long term**
Prepayments	99	364
Advance payments	85	51
Tax receivables for indirect taxes	122	-
Advance payments and other assets	**306**	**415**

Prepayments comprise primarily prepaid expenses related to purchases of capacity upgrade from T-Mobile for O2 under the network sharing project of CZK 502 million (31 December 2020: CZK 401 million), and prepaid expenses from International transit of CZK 1 million (31 December 2020: CZK 3 million).

Advance payments comprise primarily the advances paid for electricity. The year-on-year increase in advance payments occurred in connection with a change in the methodology of payments for electricity.

15. CASH AND CASH EQUIVALENTS

In CZK million	**31 December 2021**	**31 December2020**
Cash at bank accounts and other cash equivalents	7	23
Cash at bank accounts and other cash equivalents (intercompany)	733	1,388
Total cash and cash equivalents	**740**	**1,411**

The item Cash at bank accounts and other cash equivalents includes the balance of bank accounts of the Special Partnership Accounts of CZK 4 million (31 December 2020: CZK 14 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 2021 and 31 December 2020, the Company had no available undrawn uncommitted overdraft facility.

As at 31 December 2021 and 31 December 2020, no cash and cash equivalents were pledged.

16. TRADE AND OTHER PAYABLES

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

In CZK million	**31 December 2020**	
	Short term	**Long term**
Trade creditors	4,502	-
VAT, other taxes and social security liability	113	-
Other deferred revenues	419	1,344
Employee wages and benefits	216	-
Other creditors	5	231
Financial derivatives	300	-
Trade and other payables	**5,555**	**1,575**

Payables to related parties are disclosed in Note 24.

As at 31 December 2021 and 31 December 2020, deferred revenues were made up primarily of deferred revenues from installation fees related to the entitlement to use the spare capacity of the optical fiber.

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 2021**	**31 December 2020**
Gross amounts of trade creditors	632	660
Amounts that are set off against trade receivables (Note 13)	(432)	(418)
Net amounts of trade creditors	200	242

17. FINANCIAL LIABILITIES AND FINANCIAL RISK MANAGEMENT

Financial liabilities

In CZK million	31 December 2021	31 December 2020
Bonds in local currency	4,851	4,844
Bonds in foreign currency	-	16,391
Intra-group loan in foreign currency	15,538	-
Accrued interest	23	21
Total financial liabilities	**20,412**	**21,256**
Repayable:		
Within one year	23	16,412
Between one and five years	20,389	4,844
Total financial liabilities	**20,412**	**21,256**

Intra-group loan from the parent company

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

All conditions resulting from the intra-group loan agreements were met as at 31 December 2021.

Issued Bonds

In million CZK					Nominal value		Net carrying value	
Date of issue	Maturity	ISIN	Interest rate	Curr	2021	2020	2021	2020
6 December 2016	6 December 2021	XS1529934801	1.423	EUR	-	16,403	-	16,407
6 December 2016	6 December 2023	XS1529936335	1.250	CZK	4,866	4,866	4,856	4,849
Total					**4,866**	**21,269**	**4,856**	**21,256**

In December 2021 the EUR bond was repaid. As at 31 December 2020 the nominal value of EUR bond amounted to EUR 625 million.

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 have served as the liquidity back-up for 6 December 2021 bond refinancing. The facility was originally scheduled to terminate on 6 December 2023. The facility was not used and was voluntarily cancelled as of 1 September 2021.

All conditions resulted from bonds emission were met as at 31 December 2021.

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

In million CZK	**Lease liability**	**Bonds**	**Intra-group loan**
Balance at 1 January 2021	**5,068**	**21,256**	**-**
Payments of lease liability/Repayment of bonds/Intra-group loan drawing	(639)	(15,884)	15,888
Interests paid	(142)	(287)	-
Total changes from financing cash flows	**(781)**	**(16,171)**	**15,888**
The effect of changes in foreign exchange rates	**(81)**	**(522)**	**(350)**
New leases	743	-	-
Other expenses	-	9	-
Interest expenses	142	284	18
Total liability-related other changes	**885**	**293**	**18**
Balance at 31 December 2021	**5,091**	**4,856**	**15,556**

In million CZK	**Lease liability**	**Bonds**
Balance at 1 January 2020	**5,198**	**20,714**
Payments of lease liability/Repayment of bonds	(651)	-
Interests 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 expenses	-	9
Interest expenses	153	308
Total liability-related other changes	**659**	**317**
Balance at 31 December 2020	**5,068**	**21,256**

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 CZK million	**31 December 2021**		**31 December 2020**	
	EUR	**USD**	**EUR**	**USD**
Cash and cash equivalents	**7**	**3**	**10**	**11**
Trade receivables	236	62	327	81
Issued bonds	-	-	(16,379)	-
Loan drawing	(15,538)	-	-	-
Trade payables	(1,353)	(121)	(887)	(136)
Net statement of financial position exposure	**(16,648)**	**(56)**	**(16,929)**	**(44)**
Next 12 months forecast sales	1,382	45	1,544	48
Next 12 months forecast purchases	(1,488)	(227)	(2,528)	(172)
Net forecast transaction exposure	**(106)**	**(182)**	**(984)**	**(124)**
Financial derivatives	2,859	-	14,015	-
Net exposure	**(13,895)**	**(238)**	**(3,898)**	**(168)**

CZK	**Average rate for the year ended**		**Year-end spot rate**	
	31 December 2021	**31 December 2020**	**31 December 2021**	**31 December 2020**
EUR 1	25.645	26.444	24.860	26.245
USD 1	21.682	23.195	21.951	21.387

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.

In 2016 – 2021, the Group applied hedge accounting using a cross-currency swap. With the maturity of EUR bond, on 6 December 2021, hedge accounting ceased to be applied and the cross currency swap was settled.

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 2021	**31 December 2020**
Trading derivatives		
FX swap (Note 24)	2,924	-
Hedging derivatives		
Cross currency swap (Note 24)	-	14,429

In CZK million	**Fair value**	
	31 December 2021	**31 December 2020**
Trading derivatives		
FX swap (Note 24)	(74)	-
Hedging derivatives		
Cross currency swap (Note 24)	-	(300)

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

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

31 December 2021 **In CZK million**	**Within 1 year**	**1 – 5 years**	**More than 5 years**	**Total**
FX swap	2,924	-	-	2,924

31 December 2020 **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 2021	**Year ended 31 December 2020**
FX risk		
12 forthcoming months „GAP“ analysis impact to Profit and loss statement*	(707)	(903)
12 forthcoming months „GAP“ analysis impact to Equity/OCI*	-	700

* 12 forthcoming months „GAP“ analysis represent FX risk modeling 5% negative development of EUR/CZK and USD/CZK FX rate. The GAP analysis works with the difference between FX inflows and FX outflows = “GAP” within particular month. The sum of next 12 month exposure define the total exposure against which are the changes in EUR/CZK rate applied. The change in FX rate are symmetrical.

(ii) Interest rate risk

Up to 3 December 2021 the Group's income and operating cash flows were 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. Up to 3 December 2021 all interest bearing liabilities (EUR 625 million Bonds due 6 December 2021 and CZK 4,866 million Bonds due 6 December 2023) were on fix rate. Since 3 December 2021 the EUR 625 million intragroup loan due 24 August 2026 is on floating rate. CZK 4,866 million Bonds due 6 December 2023 remained on fix rate. Cash is being accumulated between dividend payments. It is invested using both fixed and floating rate. The year average amount is negligible when compared to liabilities – i.e. CZK 929 million CZK – month end averages in 2021. 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 refinanced on 6 December 2021. FX exposure of refinancing had been hedged.

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 2021	Year ended 31 December 2020
IR risk		
Stress testing* (all impact is to Profit and loss statement)	(146)	3

* 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 2021 based on contractual undiscounted payments. Values include projections of future interests.

As at 31 December 2021 **In CZK million**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**> 5 years**
Bonds and intra-group loan (incl. future interest payments)	57	238	21,331	-
Lease liability (incl. future interest payments)	243	728	3,802	1,216
Financial derivatives	75	-	-	-
Trade and other payables (excluding Deferred revenue)	3,522	2,099	15	14
Total	**3,900**	**3,065**	**25,148**	**1,230**
Non-current other liabilities (excluding Deferred revenue and Derivatives)	-	-	29	-

As at 31 December 2020 **In CZK million**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**> 5 years**
Bonds (incl. future interest payments)	-	16,697	4,988	-
Lease liability (incl. future interest payments)	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)	-	-	58	-

In 2021 and 2020, the Group did not have any guarantees to third parties (except for the Cross Guarentee described in Note 24).

The Group does not record any potential risk associated with the Cross Guarantee; exposure is zero,more details can be found under Section (iv) Credit risk.

(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 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. The Group is not exposed to any significant risk due to the application of the guarantee, in the case of O2 Czech Republic a.s. it is a profitable company.

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 24), mainly with O2 Czech Republic a.s. which is aprofitable 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 (e.g. the Group´s biggest partner O2 is part of PPF Group and T-Mobile has been assigned investment grade rating) whose business have not been not apart from roaming segment impacted by COVID-19 pandemic. In 2021 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 2020.

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.

All the banking services to the Group are provided by PPF banka who is a part of PPF Group. When and if the Group is ever exposed to external banking counterparty credit risk the credit approach will follow the best industry practice established with the close cooperation with PPF Group.

Offset of financial assets and financial liabilities

	Relevant amount offset/not offset in the consolidated statement of financial position as at 31 December 2021					
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	1	-	1	-	-	**1**
Trade receivables	2,113	(432)	1,681	-	-	**1,681**
Total assets	**2,114**	**(432)**	**1,682**	**-**	**-**	**1,682**
Liabilities						
Negative values of financial derivatives	75	-	75	-	(88)	**(13)**
Trade payables	632	(432)	200	-	-	**200**
Total liabilities	**707**	**(432)**	**275**		**(88)**	**187**

	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**

(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 2021 and 31 December 2020, 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 2021, 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 2021**			
	Level 1	**Level 2**	**Level 3**	**Fair value**	**Carrying amount**	**Difference**
Financial liabilities						
Bonds (inc. accruals)	-	4,598	-	4,598	4,856	(258)

In CZK million			**31 December 2020**			
	Level 1	**Level 2**	**Level 3**	**Fair value**	**Carrying amount**	**Difference**
Financial liabilities						
Bonds (inc. accruals)	-	21,408	-	21,408	21,256	152

The fair value of bonds as at 31 December 2021 and 31 December 2020 has been determined using market price as bonds are traded on the public market.

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

Financial instruments in fair value

In CZK million	**Fair value 31 December 2021**			**Fair value 31 December 2020**		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Positive fair values of financial derivative instruments	-	1	-	-	-	-
Negative fair values of financial derivative instruments	-	75	-	-	300	-

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 2021 and 31 December 2020.

18. 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 2021 and 31 December 2020.

In CZK million	**31 December 2021**	**31 December 2020**
Opening balance	6,087	6,202
Profit or loss tax charge	(155)	(17)
Valuation gain/(losses) – cash flow hedge	(22)	(98)
Closing balance	**5,910**	**6,087**

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

In CZK million	**31 December 2021**	**31 December 2020**
Deferred tax liabilities	5,910	6,087
Total	**5,910**	**6,087**

The deferred tax liability includes CZK 183 million (31 December 2020: CZK 158 million) to be realized in less than twelve months and CZK 5,727 million (31 December 2020: CZK 5,929 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 2021	**31 December 2020**
Temporary differences relating to:		
Property, plant and equipment	5,922	6,119
Intangible assets	124	121
Trade receivables, inventories, provisions and other differences	(105)	(146)
Leasing	(31)	(28)
Valuation gain/(losses) – cash flow hedge	-	21
Total	**5,910**	**6,087**

In CZK million	**Consolidated statement of total comprehensive income**	
	Year ended 31 December 2021	**Year ended 31 December 2020**
Temporary differences relating to:		
Property, plant and equipment	(196)	15
Intangible assets	3	(8)
Trade receivables, inventories, provisions and other differences	41	4
Leasing	(3)	(28)
Total	**(155)**	**(17)**

19. PROVISIONS

In CZK million	Asset retirement obligation	Other provisions	Total
As at 1 January 2020	**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**
Additions during the year	7	11	18
Utilised during the year	(4)	(40)	(44)
Released during the year	-	-	-
Change of estimate	(164)	-	(164)
As at 31 December 2021	**220**	**82**	**302**

In CZK million	Asset Asset retirement obligation	Other provisions	Total
As at 31 December 2021			
Short-term provisions	6	82	88
Long-term provisions	214	-	214
	220	**82**	**302**
As at 31 December 2020			
Short-term provisions	5	111	116
Long-term provisions	376	-	376
	381	**111**	**492**

The Group recognized provision for estimated cost of dismantling and removing assets and restoring sites of CZK 220 million (31 December 2020: CZK 381 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 1 million (31 December 2020: CZK 4 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 7 million (31 December 2020: CZK 12 million) and utilizated provision by CZK 4 million (31 December 2020: CZK 21 million).

Due to an update of discount rate the provision decreased by CZK 164 million (31 December 2020: increased by CZK 27 million).

Other provisions include above all the provision for redundancy cost of CZK 71 million (31 December 2020: CZK 100 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.

20. CONTINGENT LIABILITIES

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

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

In August 2019, 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.

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

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

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

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

21. 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 2021	Year ended 31 December 2020
Interest on lease liability	142	153
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	2	2

Amounts recognized in statement of cash flows:

In CZK million	Year ended 31 December 2021	Year ended 31 December 2020
Total cash outflow for leases under IFRS 16	(781)	(804)

The lease liability arising from leases under IFRS 16 between related parties is disclosed in Note 24.

Operating leases:

As at 31 December 2021

In CZK million	Less than 1 year	1 to 5 years	Over 5 years
Operating leases - lessor	115	219	39

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

Capital expenditure contracted but not yet recognized in the financial statements as at 31 December 2021 amounted to CZK 721 million (31 December 2020: CZK 550 million). The majority of contracted amounts relates to telecommunication networks and service contracts

22. 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.

23. EQUITY

	31 December 2021	31 December 2020
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 2021	31 December 2020
CETIN Group N.V.	100.00%	89.7%
PPF A3 B.V.	0.00%	10.3%

As at 1 September 2021, the minority shareholder PPF A3 B.V. merged into CETIN Group B.V., which then changed its legal form from B.V. (*Besloten Vennootschap*) to N.V. (*Naamloze Vennootschap*).

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. 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 10 March 2021, approved the statutory financial statements for year ended 31 December 2020 and approved the distribution of dividends of CZK 2,536 million from profit for the year ended 31 December 2020. The payment was proceeded in two installments, CZK 1,400 million on 31 March 2021 and CZK 1,136 million on 31 August 2021.

Gains and Losses from revaluation

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

In CZK million	**2021**	**2020**
The fair value of the effective part of cash flow hedges at 1 January	111	626
Deferred tax asset/(liability) arising from revaluation gains and losses at 1 January	(21)	(119)
Total balance at 1 January	**90**	**507**
Net profit/(loss) from the change in the fair value of a hedge instruments for the period		
Cross currency swap	(461)	(515)
Accumulated net profit/(loss) arising from cash flow hedges for the period recognised through profit or loss		
Cross currency swap	350	-
Tax effect of cash flow hedges for the period	21	98
The fair value of the effective part of cash flow hedges at 31 December	-	111
Deferred tax asset/(liability) arising from revaluation gains and losses at 31 December	-	(21)
Total balance at 31 December	**-**	**90**

The Group started applying hedge accounting upon cash flow hedges in 2016. As at the maturity date of EUR bond hedge accounting ceased to be applied.

b) Foreign exchange translation reserve

As at 31 December 2021, the Group presented foreign exchange translation reserve CZK (2) million (31 December 2020: CZK (2) million)**.**

Other funds

As at 31 December 2021 other funds of CZK 14,620 million (31 December 2020: CZK 14,620 million) represent other capital funds created from the contributions provided by shareholders.

24. RELATED PARTY TRANSACTIONS

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

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

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

The following transactions were carried out with related parties:

a) Transactions with related parties

	Assets/Liabilities as at	
In CZK million	**31 December 2021**	**31 December 2020**
Receivables from provided services		
Companies in PPF Group	979	977
of which: O2 Czech Republic a.s.	855	859
Positive fair value of derivatives		
Companies in PPF Group (Note 17)	1	-
Payables from purchased services		
Companies in PPF Group	(444)	(412)
of which: O2 Czech Republic a.s.	(202)	(246)
Negative fair value of derivatives		
Companies in PPF Group (Note 17)	(75)	(300)
Nominal value of derivatives		
Companies in PPF Group (Note 17)	(2,924)	(14,429)
Cash equivalents		
Companies in PPF Group	733	1,388

	Assets/Liabilities as at	
In CZK million	**31 December 2021**	**31 December 2020**
Right of use assets		
Companies in PPF Group	26	29
Received loans		
Shareholders (Note 17)	(15,556)	-
Lease liability		
Companies in PPF Group	(27)	(30)

	Volume of mutual transactions	
In CZK million	**Year ended 31 December 2021**	**Year ended 31 December 2020**
Sale of services (revenues and other income)		
Companies in PPF Group	10,132	10,291
of which: O2 Czech Republic a.s.	9,460	9,665
Purchase of services		
Companies in PPF Group	(710)	(732)
of which: O2 Czech Republic a.s.	(128)	(160)
Interests from received loans		
Shareholders	(19)	-
Net gain/loss on fair value of derivatives		
Companies in PPF Group	(74)	(3)

In 2021 the Group received from the parent company (CETIN Group B.V.) the intra-group loan described in Note 17. There were no transactions with the parent company in 2020.

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 16.

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

For the year ended 31 December 2021, capital expenditures from related parties amounted to CZK 0 million (31 December 2020: CZK 12 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 co-location. 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. The Company has signed an amendment to the agreement with effect from 1 January 2022, which will increase financial performance.

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 receives 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). The Company expects continuation of performance according to the contract.

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. The contract is concluded for an indefinite period.

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. The Cross

Guarantee is not limited in time and may be exercised at any time until all of the debts thus secured have ceased to exist.

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

	Year ended 31 December 2021	Year ended 31 December 2020
Remuneration in CZK million		
Board of directors	33	22
Supervisory board	-	-
Key management	46	39
Total	**79**	**61**
Number of members		
Board of directors	4	4
Supervisory board	3	3
Key management	11	10
Total	**18**	**17**

No loans were provided to members of the Board of Directors and Supervisory Board in 2021 and 2020.

25. SUBSIDIARIES

As at 31 December 2021

Subsidiaries		Group's interest	Cost of investment in CZK million	Country of incorporation	Activity	Method of consolidation
1.	CETIN Finance B.V.	100%	56	Netherlands	Financial services	Full consolidation
2.	CETIN služby s.r.o.	100%	*0	Czech Republic	Other services	Full consolidation
Total			**56**			

*200 ths CZK

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
Total			**96**			

*200 ths CZK

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.

In 2021 the subsidiary CZECH TELECOM Germany GmbH was liquidated and subsequently was removed from the Commercial register.

26. MATERIAL SUBSEQUENT EVENTS

No subsequent events have occurred after the balance sheet date with the material impact to the financial statements for the year ended 31 December 2021.

CETIN a.s.

STANDALONE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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

The financial statements were approved by the Board of Directors on 2 March 2022 and were signed on its behalf by:

Filip Cába	**Michal Frankl**
Vice-chairman of the Board of Directors	Member of the Board of Directors

CONTENT

STATEMENT OF TOTAL COMPREHENSIVE INCOME

		For the year ended	
In CZK million	**Note**	**31 December 2021**	**31 December 2020**
Revenues	5	18,183	18,849
Other income from non-telecommunication services		247	258
Expenses	6	(9,540)	(10,302)
Earnings before impairment loss, interest, tax, depreciation and amortization (*EBITDA*)		**8 890**	**8,805**
Depreciation and amortisation	9, 10, 11	(5,403)	(4,905)
Impairment loss	9, 11	(159)	(47)
Operating profit (*EBIT*)		**3,328**	**3,853**
Finance income	7	554	13
Finance costs	7	(655)	(712)
Profit before tax		3,227	3,154
Corporate income tax	8	(653)	(615)
Profit for the year		**2,574**	**2,539**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges – effective portion of changes in fair value	23	(111)	(515)
Related deferred tax	18	21	98
Total other comprehensive income, net of tax		**(90)**	**(417)**
Total comprehensive income, net of tax		**2,484**	**2,122**
Profit attributable to:			
Equity holders of the Company		2,574	2,539
Total comprehensive income attributable to:			
Equity holders of the Company		2,484	2,122

STATEMENT OF FINANCIAL POSITION

In CZK million	Note	As at 31 December 2021	31 December 2020
ASSETS			
Property, plant and equipment	9	47,781	48,201
Intangible assets	11	2,151	1,826
Right of use assets	10	4,926	4,893
Investment in subsidiaries	25	56	93
Other assets	14	469	415
Non-current assets		**55,383**	**55,428**
Inventories	12	96	67
Trade and other receivables	13	2,903	3,362
Advance payments and other assets	14	646	305
Income tax receivable		-	-
Cash and cash equivalents	15	631	1,278
Current assets		**4,276**	**5,012**
Non-current assets held for sale	9	**5**	**-**
Total assets		**59,664**	**60,440**
EQUITY AND LIABILITIES			
Share capital	23	3,102	3,102
Reserves	23	-	90
Other funds	23	14,615	14,615
Retained earnings	23	2,582	2,540
Total equity		**20,299**	**20,347**
Long-term financial debts	17	20,357	4,819
Deferred tax liability	18	5,910	6,087
Non-current provisions for liabilities and charges	19	214	376
Lease liability	17	4,247	4,237
Non-current other liabilities	16	1,459	1,575
Non-current liabilities		**32,187**	**17,094**
Short-term financial debts	17	24	16,393
Trade and other payables	16	6,070	5,550
Lease liability	17	844	805
Income tax liability	8	152	135
Provisions for liabilities and charges	19	88	116
Current liabilities		**7,178**	**22,999**
Total liabilities		**39,365**	**40,093**
Total equity and liabilities		**59,664**	**60,440**

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

In CZK million	Note	Share capital	Hedging reserve	Other capital funds	Retained earnings	Total
As at 31 December 2020		**3,102**	**90**	**14,615**	**2,540**	**20,347**
Impact of the merger*		-	-	-	7	7
As at 1 January 2021		**3,102**	**90**	**14,615**	**2,547**	**20,354**
Profit for the year		-	-	-	2,574	2,574
Effective portion of changes in fair value of cash-flow hedges		-	(461)	-	-	(461)
Net change in fair value of cash-flow hedges transferred into income statement		-	350	-	-	350
Tax on items taken directly to or transferred from equity		-	21	-		21
Total comprehensive income		**-**	**(90)**	**-**	2,574	**(2,484)**
Dividends paid	23	-	-	-	(2,536)	(2,536)
Other distribution and roundings		-	-	-	(3)	(3)
As at 31 December 2021		**3,102**	**-**	**14,615**	**2,582**	**20,299**

*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.

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	23	-	-	-	(2,794)	(2,794)
Other distribution and roundings		-	-	-	(3)	(3)
As at 31 December 2020		**3,102**	**90**	**14,615**	**2,540**	**20,347**

STATEMENT OF CASH FLOWS

		For the year ended	
In CZK million	**Note**	**31 December 2021**	**31 December 2020**
Profit for the year		2,574	2,539
Non-cash adjustments for:			
Depreciation and amortisation	9, 10, 11	5,403	4,905
Impairment loss	9, 11	159	47
Profit on sale of property, plant and equipment	9	(42)	(71)
Net finance costs/(revenues)	7	579	504
Foreign exchange gains/losses (net)	7	(478)	195
Bad debts		(27)	(20)
Tax expense	8	653	615
Operating cash flow before working capital changes		**8,821**	**8,714**
Working capital adjustments:			
Change in trade and other receivables		(192)	804
Change in inventories		(29)	(7)
Change in trade and other payables		(405)	(1,037)
Change in operation provisions		(32)	21
Cash flows from operating activities		**8,163**	**8,495**
Interest received		5	13
Income tax paid	8	(790)	(506)
Net cash flow from operating activities		**7,378**	**8,002**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangibles		(3,976)	(4,351)
Proceeds from sales of property, plant and equipment and intangible assets		28	63
(Investment)/deinvestment in subsidiaries	25	7	(15)
Net cash used in investing activities		**(3,941)**	**(4,303)**
Cash flows from financing activities			
Interest paid related to intercompany loan		(304)	(317)
Interest paid from lease liability		(142)	(152)
Interest received from hedging derivative		29	37
Other finance charges received/paid		(46)	(63)
Grant of loans		15,888	-
Repayments of loans		(15,860)	-
Net proceeds from settlement hedging derivates		(857)	-
Net proceeds from settlement FX derivates		52	-
Cash collateral placed at bank due to derivatives transactions	13	325	(99)
Dividends paid	23	(2,536)	(2,794)
Lease payments		(639)	(647)
Net cash used in financing activities		**(4,090)**	**(4,035)**
Net increase/decrease in cash and cash equivalents		**(652)**	**(336)**
Cash and cash equivalents at 1 January	15	1,278	1,610
Effect of foreign exchange rate movements on cash and cash equivalents		5	4
Cash and cash equivalents at the year end	15	**631**	**1,278**

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 2021 (decisive date) CETIN a.s. merged with its subsidiary STEL-INVEST s.r.o. as part of a domestic merger.

The sole shareholder of the Company as at 31 December 2021 is CETIN Group N.V. (part of the PPF Group). Further details are described in Note 23.

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 2,242 in 2021 (2020: 2,172).

The financial statements were approved for issue by the Company's Board of Directors on 2 March 2022.

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 which are measured at lower of cost and fair value less cost to sell, and financial derivatives 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 18).

(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.

(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 19). 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 20). 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 24. 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.

(6) 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. For contracts concluded for an indefinite period (or contracts with the possibility of extension on the part of the Company), based on management's assessment, plans and expected changes in technology it was set a depreciation period till 31 December 2030. The contracts mainly represent lease relations due to the location of technological equipment of both mobile and fixed networks.

3. SIGNIFICANT ACCOUNTING POLICIES

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

New IFRS not effective as at 31 December 2021 (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		**Effectiveness***
IFRS 16 (amendment)	Covid-19-Rent related concessions beyond 30 June 2021	1 April 2021
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 Disclosure of accounting policies	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
IAS 8 (amendment)	Definition of accounting estimates	1 January 2023
IAS 12 (amendment)	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
Annual revision IFRS 2018 – 2020	Amendment to IFRS 9 Financial Instrument Amendment of illustrative examples to IFRS 16 Leases	1 January 2022

* effective for the period commencing from the stated date

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.

The company has consistently applied the accounting policies set out below, except as descried above in the section Adoption of new or revised IFRS standards and interpretations.

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 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, where appropriate, 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

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 rights (easements, domain). 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. 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 non-financial assets

Non-financial assets, except inventory and deferred tax 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 are 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.

(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.

<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.

(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 at fair value, net of transaction costs incurred. In subsequent periods, they are stated at amortised cost using the effective interest rate method; any difference between the amount initially recognised 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

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.

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.

As a lessee:

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 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 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 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 Company does not recognise right of use assets and liabilities for leases of low-value assets (copy machines, other office equipment). The lease payments associated with the low-value assets leases are 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, if any, 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 any write-down 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 provides its employees with supplementary pension insurance in the form of payments to insurance companies within the framework of a valid pension plan. 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 2021 using a long-term real rate of interest in the range from 4.60% to 5.89% 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 2021 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 mainly for O2 and other telecommunication operators. The service is provided on continuous basis and is regularly invoiced in the form of a service fee. The contract with O2 is a long term contract (Note 24). The revenue is recognized over the time as the same services are provided evenly through the contract.

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 network line is used for price calculation, but does not in itself represent a separate customer benefit. 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 network line is used for price calculation, but does not in itself represent a separate customer benefit. 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 deferrred at the time of signing of the contract and recognized as revenue on straight-line basis over the contract term. The contracts contain significant substitution right regarding the optical fiber. 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 from the network sharing project are recognized at net value. These are mutually provided services of the same nature and in the same value within the project, representing a barter transaction without financial performance. The revenue is recognized on an ongoing basis. 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) Accounting for 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 whether the derivative is designated as a hedging instrument and 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 2021 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) Alternative earnings measures

The Company presents certain alternative earnings measures such as EBITDA, EBIT which are not defined by IFRSs. As used in these financial statements, the following terms have the following meaning:

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

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

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 2021 **In CZK million**	**Domestic services**	**International transit**	**Total reportable segments**	**Reconciling items**	**Company**
Revenues	12,218	5,965	18,183	-	18,183
Other income from non-telecommunication services	-	-		247	247
Total costs	(3,592)	(5,071)	(9,293)	(247)	(9,540)
Earnings before impairment loss, interest, tax, depreciation and amortization (*EBITDA*)	**8,626**	**264**	**8,890**	**-**	**8,890**
Total depreciation and amortization	(5,382)	(21)	(5,403)	-	(5,403)
Impairment charge	(159)	-	(159)	-	(159)
Operating income (*EBIT*)	**3,085**	**243**	**3.328**	**-**	**3,328**
Net financial loss					(101)
Profit before tax					3,227
Corporate income tax					(653)
Profit for the year					**2,574**
As at 31 December 2021					
Total assets	**58,757**	**907**	**59,664**	**-**	**59,664**
Trade and other payables	5,281	789	6,070	-	6,070
Lease liability	5,091	-	5,091	-	5,091
Other liabilities	28,204	-	28,204	-	28,204
Total liabilities	**38,576**	**789**	**39,365**	**-**	**39,365**
Capital expenditure (Property, plant, equipment and intangible assets additions)	**4,695**	**32**	**4,727**	**-**	**4,727**

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**

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 2021 these revenues are CZK 9,405 million (31 December 2020: CZK 9,616 million). Other income from non-telecommunication services is CZK 51 million (31 December 2020: CZK 49 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 2021**	**Year ended** **31 December 2020**
Czech Republic	12,371	13,063
Germany	648	699
Slovakia	390	485
Other EU countries	2,336	3,134
Switzerland	111	125
Other Non-EU countries	2,327	1,343
Total revenues	**18,183**	**18,849**

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 2021**	**Year ended** **31 December 2020**
National services		
Revenues from mobile network services	5,237	5,114
Revenues from fixed network mass service	4,482	4,422
Revenues from data services	1,377	1,382
Other telecommunication revenues	1,122	1,074
	12,218	**11,992**
International transit		
Revenues from transit services	5,965	6,857
Total revenues	**18,183**	**18,849**

Revenues from related parties are disclosed in Note 24.

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 2021**
Domestic service	**Czech Republic**	**EU**	**Non EU**	**Total**
Revenues from mobile network services	5,237	-	-	5,237
Revenues from fixed network mass service	4,482	-	-	4,482
Revenues from data services	1,291	51	35	1,377
Other telecommunication revenues	1,053	45	24	1,122
	12,063	**96**	**59**	**12,218**
International transit	**Czech Republic**	**EU**	**Non EU**	**Total**
Revenues from transit services	308	3,278	2,379	5,965
Total	**12,371**	**3,374**	**2,438**	**18,183**

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	1,025	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**

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 363 million, which was recognized as at 1 January 2021 as contract liabilities, was recognized as revenues in 2021 (2020: CZK 395 million).

Contract balances:

In CZK million	**Note**	**31 December 2021**	**31 December 2020**
Trade receivables	13	2,809	2,941
Contract liabilities (included in the position Deferred revenue and Other non-current liabilities)	16	1,774	1,928

In 2021, 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 2021.

In CZK million	**Performance obligations to be satisfied**				
	Less than 1 year	**Between 1-2 years**	**Between 3-5 years**	**More than 5 years**	**Total**
Revenues from mobile network services	5,563	5,563	16,594	26,323	54,043
Revenues from fixed network mass service	1,661	124	247	43	2,075
Revenues from data services	942	492	221	105	1,760
Other telecommunication revenues	313	308	589	731	1,941
Total	**8,479**	**6,487**	**17,651**	**27,202**	**59,819**

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 contracts concluded in each category, the Company has 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 2021**	**Year ended** **31 December 2020**
The amount which increases the revenues	27	27
Interest expense	(40)	(40)

6. EXPENSES

Expenses **In CZK million**	**Year ended** **31 December 2021**	**Year ended** **31 December 2020**
Supplies	(5,926)	(6,862)
Staff costs	(1,324)	(1,349)
External services	(2,236)	(2,060)
Provisions for bad debts and inventories	27	20
Other expenses	(81)	(51)
Total expenses	**(9,540)**	**(10,302)**

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 2021 amounted to CZK 6 million (31 December 2020: CZK 4 million).

Purchases from related parties are disclosed in Note 24.

7. FINANCE INCOME AND COSTS

In CZK million	Year ended 31 December 2021	Year ended 31 December 2020
Finance income		
Interest income	5	13
Foreign exchange gain (net)	478	-
Other finance income	71	-
Total finance income	**554**	**13**
Finance costs		
Interest expenses related to intercompany loan	(228)	(328)
Interest expenses related to financial component	(40)	(40)
Interest expenses related to lease liability	(142)	(152)
Foreign exchange loss (net)	-	(195)
Other finance costs	(185)	(37)
Total finance costs	**(655)**	**(712)**

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 29 million (31 December 2020: CZK 37 million).

8. INCOME TAX

In CZK million	Year ended 31 December 2021	Year ended 31 December 2020
Total income tax expense is made up of:		
Current income tax charge	808	632
Deferred income tax credit (Note 18)	(155)	(17)
Total income tax	**653**	**615**

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 2021	Year ended 31 December 2020
Profit before tax	3,227	3,154
Income tax charge calculated at the statutory rate of 19%	(613)	(599)
Tax non-deductible expenses	(12)	(11)
Income tax related to prior years	(10)	(16)
Other differences	(18)	11
Income tax expense	**(653)**	**(615)**
Effective tax rate	20.24%	19.50%

As at 31 December 2021, the total amount of provisions for current income taxes is CZK 798 million (31 December 2020: CZK 616 million), advances paid for income taxes is CZK 646 million (31 December 2020: CZK 481 million), the net deferred tax liability is CZK 5,910 million (31 December 2020: CZK 6,087 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 2021						
Opening net book amount	5,012	33,079	8,041	309	1,760	**48,201**
Additions	82	1,011	1,020	62	1,768	**3,943**
Disposals	(11)	(1)	(2)	(1)	(6)	**(21)**
Transfers	88	376	372	9	(845)	**-**
Reclassifications	-	-	4	2	3	**9**
Merge	-	-	1	2	-	**3**
Depreciation	(304)	(1,928)	(1,884)	(84)	-	**(4,200)**
Impairment	-	-	-	-	(149)	**(149)**
Reclassification to/from Assets held for sale	(5)	-	-	-	-	**(5)**
Closing net book amount	4,862	32,537	7,552	299	2,531	**47,781**
As at 31 December 2021						
Cost	7,264	46,060	16,706	654	2,704	**73,388**
Accumulated depreciation	(2,402)	(13,523)	(9,154)	(355)	(173)	**(25,607)**
Net book amount	4,862	32,537	7,552	299	2,531	**47,781**

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 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 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**

As at 31 December 2021, the carrying value of land, which is non-depreciated asset, amounted to CZK 160 million (31 December 2020: CZK 174 million).

In 2021 the impairment for tangible assets of CZK 149 million relates to failed projects in process and spare parts and material for investment to be liquidated (31 December 2020: CZK 46 million).

As at 31 December 2021, the Company has identified Assets held for sale in the net book value of CZK 5 million (31 December 2020: CZK 0 milion). As at 31 December 2021 and 31 December 2020 all the Assets held for sale is part of the Domestic services segment.

No property, plant and equipment were pledged as at 31 December 2021 and 31 December 2020.

For the year ended 31 December 2021, the Company achieved a total gain from the sale of the fixed assets of CZK 58 million (31 December 2020: CZK 80 million) and total losses of CZK 16 million (31 December 2020: CZK 9 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. This is a barter transaction without financial performance.

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 2021					
Opening net book amount	4,332	46	436	79	**4,893**
Additions	54	-	3	69	**126**
Modifications	598	(11)	30	6	**623**
Disposals	-	-	-	-	-
Reclassifications	-	-	-	-	**-**
Merger	10	-	4	8	**22**
Depreciation	(619)	(1)	(58)	(60)	**(738)**
Impairment	-	-	-	-	**-**
Closing net book amount	4,375	34	415	102	**4,926**
As at 31 December 2021					
Cost	6,181	43	568	252	**7,044**
Accumulated depreciation	(1,806)	(9)	(153)	(150)	**(2,118)**
Net book amount	4,375	34	415	102	**4,926**

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 2021, the lease term for leases for an indefinite period was reassessed to be in line with the long-term plan of the Company. The lease term for these contracts was extended to 31 December 2030. The overall impact is an increase in the balance of Right of use assets by CZK 223 million. Further details are described in Note 2(6).

The right of use assets arising from leases between related parties are disclosed in Note 24.

11. INTANGIBLE ASSETS

In CZK million	**Goodwill**	**Software**	**Rights and other**	**Construction in progress**	**Total**
As at 31 December 2021					
Opening net book amount	-	1,414	277	135	1,826
Additions	-	690	22	72	**784**
Disposals	-	-	-	-	**-**
Transfers	-	72	13	(85)	-
Reclassifications	-	(6)	-	6	**-**
Merger	16	-	-	-	**16**
Amortisation charge	-	(445)	(20)	-	**(465)**
Impairment	-	-	-	(10)	**(10)**
Closing net book amount	16	1,725	292	118	**2,151**
As at 31 December 2021					
Cost	16	4,181	410	118	**4,725**
Accumulated amortisation	-	(2,456)	(118)	-	**(2,574)**
Net book amount	16	1,725	292	118	**2,151**

In CZK million	**Software**	**Rights and other**	**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**

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 2021**	**31 December 2020**
Telecommunication material	58	52
Other	38	15
Total	**96**	**67**

The inventories stated above are net of an allowance cumulative write down for obsolete inventory of CZK 7 million (31 December 2020: CZK 7 million). The amount of inventories recognised as an expense is CZK 155 million (31 December 2020: CZK 135 million).

In 2021 and 2020, the Company had no inventories pledged as a security for liabilities.

13. TRADE RECEIVABLES AND OTHER ASSETS

In CZK million	**31 December 2021**	**31 December 2020**
Trade receivables from third parties (net)	1,830	1,964
Receivables with related parties (Note 24)	979	977
Derivative financial assets	1	-
Cash collateral placed due to derivatives transactions (Note 17)	88	412
Other debtors (net)	5	9
Total trade and other receivables	**2,903**	**3,362**

In 2021 and 2020, all receivables were short-term.

Receivables from related parties are disclosed in Note 24.

Trade receivables and other debtors are stated net of bad debt provision of CZK 69 million (31 December 2020: CZK 103 million).

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

31 December 2020		Overdue				
In CZK million	Due	Less than 90 days	91 and 180 days	181 and 365 days	More than 365 days	**Total**
Trade receivables and other debtors	2,462	238	279	32	42	**3,053**
Bad debt provision	(14)	(6)	(15)	(26)	(42)	**(103)**
Total	2,448	232	264	6	-	**2,950**

Bad debt provisions **In CZK million**	
As at 1 January 2020	**127**
Additions	57
Write-offs	(4)
Paid receivables	(77)
As at 31 December 2020	**103**
Additions	38
Write-offs	(8)
Paid receivables	(64)
As at 31 December 2021	**69**

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.

Cash collateral placed represents the one-side collateral of derivative transactions of the Company, see Note 17. 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 2021 the short term part of the collateral placed represents CZK 88 million (31 December 2020: CZK 412 million) and long term part CZK 0 million (31 December 2020: CZK 0 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 2021**	**31 December 2020**
Gross amounts of trade receivables	2,113	2,410
Amounts that are set off against trade payables (Note 16)	(432)	(418)
Net amounts of trade receivables	1,681	1,992

14. ADVANCE PAYMENTS AND OTHER ASSETS

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

In CZK million	**31 December 2020**	
	Short term	**Long term**
Prepayments	99	364
Advance payments	85	51
Tax receivables for indirect taxes	121	-
Advance payments and other assets	**305**	**415**

Prepayments comprise primarily prepaid expenses related to purchases of capacity upgrade from T-Mobile for O2 under the network sharing project of CZK 502 million (31 December 2020: CZK 401 million), and prepaid expenses from International transit of CZK 1 million (31 December 2020: CZK 3 million).

Advance payments comprise primarily the advances paid for the electricity. The year-on-year increase in advance payments occurred in connection with a change in the methodology of payments for electricity.

15. CASH AND CASH EQUIVALENTS

In CZK million	**31 December 2021**	**31 December 2020**
Cash at bank accounts and other cash equivalents	7	12
Cash at bank accounts and other cash equivalents (inter-company)	624	1,266
Total cash and cash equivalents	**631**	**1,278**

The item Cash at bank accounts and other cash equivalents includes the balance of bank accounts of the Special Partnership Accounts of CZK 4 million (31 December 2020: CZK 14 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 2021 and 31 December 2020, the Company had no available undrawn uncommitted overdraft facility.

As at 31 December 2021 and 31 December 2020, no cash and cash equivalents were pledged.

16. TRADE AND OTHER PAYABLES

In CZK million	**31 December 2021**	
	Short term	**Long term**
Trade creditors	5,285	-
VAT, other taxes and social security liability	113	-
Deferred revenues	351	1,112
Employee wages and benefits	244	-
Other creditors	2	347
Financial derivatives	75	-
Trade and other payables	**6,070**	**1,459**

In CZK million	**31 December 2020**	
	Short term	**Long term**
Trade creditors	4,498	-
VAT, other taxes and social security liability	112	-
Deferred revenues	419	1,344
Employee wages and benefits	216	-
Other creditors	5	231
Financial derivatives	300	-
Trade and other payables	**5,550**	**1,575**

Payables to related parties are disclosed in Note 24.

As at 31 December 2021 and 31 December 2020, deferred revenues were made up primarily of deferred revenues from installation fees related to the entitlement to use the spare capacity of the optical fiber .

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 2021**	**31 December 2020**
Gross amounts of trade creditors	632	660
Amounts that are set off against trade receivables (Note 13)	(432)	(418)
Net amounts of trade creditors	200	242

17. FINANCIAL LIABILITIES AND FINANCIAL RISK MANAGEMENT

Financial liabilities

	31 December 2021	31 December 2020
In CZK million		
Received loan in local currency	4,819	4,819
Intercompany loan in foreign currency	0	16,371
Intra-group loan in foreign currency	15,538	0
Accrued Interest	24	22
Total financial liabilities	**20,381**	**21,212**
Repayable:		
Within one year	24	16,393
Between one and five years	20,357	4,819
Total financial liabilities	**20,381**	**21,212**

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, the second facility totalling EUR 624 million was repaid as of 3 December 2021.

All conditions resulting from the intercompany loan agreements were met as at 31 December 2021.

Intra-group loan from the parent company

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

All conditions resulting from the intra-group loan agreements were met as at 31 December 2021.

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 have served as the liquidity back-up for 6 December 2021 loan refinancing. The facility was originally scheduled to terminate on 6 December 2023. The facility was not used and was voluntarily cancelled as of 1 September 2021.

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

In million CZK	**Lease liability**	**Intercompany loan***	**Intra-group loan****
Balance at 1 January 2021	**5,042**	**21,212**	**-**
Impact of the merger with the subsidiary	26	-	-
Payments of lease liability/Repayment of loan/Intra-group loan drawing	(639)	(15,860)	15,888
Interests paid	(142)	(304)	-
Total changes from financing cash flows	**(755)**	**(16,164)**	**15,888**
The effect of changes in foreign exchange rates	**(81)**	**(522)**	**(350)**
New leases	743	-	-
Other expenses	-	9	-
Interest expenses	142	290	18
Total liability-related other changes	**885**	**299**	**18**
Balance at 31 December 2021	**5,091**	**4,825**	**15,556**

* Intercompany loan from CETIN Finance B.V.
** Intra-group loan from CETIN Group N.V.

In million CZK	**Lease liability**	**Intercompany loan**
Balance at 1 January 2020	**5,172**	**20,681**
Payments of lease liability/Repayment of loan	(647)	-
Interests 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 expenses	152	316
Total liability-related other changes	**654**	**325**
Balance at 31 December 2020	**5,042**	**21,212**

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 CZK million	**31 December 2021**		**31 December 2020**	
	EUR	**USD**	**EUR**	**USD**
Cash and cash equivalents	**7**	**3**	**10**	**11**
Trade receivables	236	62	327	81
Received loans	(15,538)	-	(16,379)	-
Trade payables	(1,353)	(121)	(887)	(136)
Net statement of financial position exposure	**(16,648)**	**(56)**	**(16,929)**	**(44)**
Next 12 months forecast sales	1,382	45	1,544	48
Next 12 months forecast purchases	(1,488)	(227)	(2,528)	(172)
Net forecast transaction exposure	**(106)**	**(182)**	**(984)**	**(124)**
Financial derivatives	2,859	-	14,015	-
Net exposure	**(13,895)**	**(238)**	**(3,898)**	**(168)**

CZK	**Average rate for the year ended**		**Year-end spot rate**	
	31 December 2021	**31 December 2020**	**31 December 2021**	**31 December 2020**
EUR 1	25.645	26.444	24.860	26.245
USD 1	21.682	23.195	21.951	21.387

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.

In 2016 – 2021, the Company applied hedge accounting using a cross-currency swap. In December 2021 hedge accounting ceased to be applied and the cross currency swap was settled due to the intercompany loan maturity.

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 2021	**31 December 2020**
Trading derivatives		
FX swap (Note 24)	2,924	-
Hedging derivatives		
Cross currency swap (Note 24)	-	14,429

In CZK million	**Fair value**	
	31 December 2021	**31 December 2020**
Trading derivatives		
FX swap (Note 24)	(74)	-
Hedging derivatives		
Cross currency swap (Note 24)	-	(300)

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

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

31 December 2021 **In CZK million**	**Within 1 year**	**1 – 5 years**	**More than 5 years**	**Total**
FX swap	2,924	-	-	2,924

31 December 2020 **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 2021	**Year ended 31 December 2020**
FX risk		
12 forthcoming months „GAP“ analysis impact to Profit and loss statement*	(707)	(903)
12 forthcoming months „GAP“ analysis impact to Equity/OCI*	-	700

* 12 forthcoming months „GAP“ analysis represent FX risk modeling 5% negative development of EUR/CZK and USD/CZK FX rate. The GAP analysis works with the difference between FX inflows and FX outflows = “GAP” within particular month. The sum of next 12 month exposure define the total exposure against which are the changes in EUR/CZK rate applied. The change in FX rate are symmetrical.

(ii) Interest rate risk

Up to 3 December 2021 the Company's income and operating cash flows were 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. Up to 3 December 2021 all interest bearing liabilities (EUR 624 million intercompany loan due 6 December 2021 and CZK 4.822 million intercompany loan due 6 December 2023) were on fix rate. Since 3 December 2021 the EUR 625 million intragroup loan due 24 August 2026 is on floating rate. CZK 4.822 million intercompany loan due 6 December 2023 remained on fix rate. Cash is being accumulated between dividend payments. It is invested using both fixed and floating rate. The year average amount is negligible when compared to liabilities – i.e. CZK 797 million – month end averages in 2021. 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 2021 the Company has been exposed to interest rate risk arising from the debt instruments as guaranteed bonds shall be refinaced on 6 December 2021. FX exposure of refinancing had been hedged.

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 2021	**Year ended 31 December 2020**
FX risk		
Stress testing (all impact is to Profit and loss statement)*	(146)	3

* 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 2021 based on contractual undiscounted payments. Values include projections of future interests.

As at 31 December 2021 **In CZK million**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**> 5 years**
Received loans (incl. future interest payments)	57	247	21,296	-
Lease liability (incl. future interest payments)	243	728	3,802	1,216
Financial derivatives	75	-	-	-
Trade and other payables (excluding Deferred revenue)	3,526	2,099	15	14
Total	**3,901**	**3,074**	**25,113**	**1 230**
Non-current other liabilities (excluding Deferred revenue and Derivatives)	-	-	29	-

As at 31 December 2020 **In CZK million**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**> 5 years**
Received loans (incl. future interest payments)	-	16,692	4,962	-
Lease liability (incl. future interest payments)	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)	-	-	58	-

In 2021 and 2020, the Company did not have any guarantees to third parties (except for the Cross Guarentee described in Note 24).

The Company does not record any potential risk associated with the Cross Guarantee; exposure is zero,more details can be found under Section (iv) Credit risk.

(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 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. The Company is not exposed to any significant risk due to the application of the guarantee, in the case of O2 Czech Republic a.s. it is a profitable company.

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 24), mainly with O2 Czech Republic a.s. which is aprofitable 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 (e.g. the Company´s biggest partner O2 is part of PPF Group and T-Mobile has been assigned investment grade rating) whose business have not been not apart from roaming segment impacted by COVID-19 pandemic. In 2021 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 2020.

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.

All the banking services to the Company are provided by PPF banka who is a part of PPF Group. When and if the Company is ever exposed to external banking counterparty credit risk the credit approach will follow the best industry practice established with the close cooperation with PPF Group.

Offset of financial assets and financial liabilities

	Relevant amount offset/not offset in the statement of financial position as at 31 December 2021					
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**
Assets						
Positive values of financial derivatives	1	-	1	-	-	**1**
Trade receivables	2,113	(432)	1,681	-	-	**1,681**
Total assets	**2,114**	**(432)**	**1,682**			**1,682**
Liabilities						
Negative values of financial derivatives	75	-	75	-	(88)	**(13)**
Trade payables	632	(432)	200	-	-	**200**
Total liabilities	**707**	**(432)**	**275**		**(88)**	**187**

	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 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)**	**330**

(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 2021 and 31 December 2020, the Company held only foreign currency swap classified as Level 2 financial instruments measured at fair value.

During the reporting period ending 31 December 2021, 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 2021**					
	Level 1	**Level 2**	**Level 3**	**Fair value**	**Carrying amount**	**Difference**
Financial liabilities						
Interest bearing loans and borrowings (inc. accruals)	-	4,598	-	4,598	4,825	(227)

In CZK million	**31 December 2020**					
	Level 1	**Level 2**	**Level 3**	**Fair value**	**Carrying amount**	**Difference**
Financial liabilities						
Interest bearing loans and borrowings (inc. accruals)	-	21,408	-	21,408	21,212	196

The fair value of borrowings as at 31 December 2021 and 31 December 2020 has been determined by market value of bonds which are traded on the public market.

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

Financial instruments in fair value

In CZK million	Fair value 31 December 2021			Fair value 31 December 2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Positive fair values of financial derivative instruments	-	1	-	-	-	-
Negative fair values of financial derivative instruments	-	75	-	-	300	-

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 2021 and 31 December 2020 by using current spot rates.

18. 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 2021 and 31 December 2020.

In CZK million	31 December 2021	31 December 2020
Opening balance	6,087	6,202
Profit or loss tax charge	(155)	(17)
Valuation gain/(losses) – cash flow hedge	(22)	(98)
Closing balance	**5,910**	**6,087**

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

In CZK million	31 December 2021	31 December 2020
Deferred tax liabilities	5,910	6,087
Total	**5,910**	**6,087**

The deferred tax liability includes CZK 183 million (31 December 2020: CZK 158 million) to be realized in less than twelve months and CZK 5,727 million (31 December 2020: CZK 5,929 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 2021	**31 December 2020**
Temporary differences relating to:		
Property, plant and equipment	5,922	6,119
Intangible assets	124	121
Trade receivables, inventories, provisions and other differences	(105)	(146)
Leasing	(31)	(28)
Valuation gain/(losses) – cash flow hedge	-	21
Total	**5,910**	**6,087**

In CZK million	**Statement of total comprehensive income**	
	Year ended 31 December 2021	**Year ended 31 December 2020**
Temporary differences relating to:		
Property, plant and equipment	(196)	15
Intangible assets	3	(8)
Trade receivables, inventories, provisions and other differences	41	4
Leasing	(3)	(28)
Total	**(155)**	**(17)**

19. PROVISIONS

In CZK million	**Asset retirement obligation**	**Other provisions**	**Total**
As at 1 January 2020	**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**
Additions during the year	7	11	18
Utilised during the year	(4)	(40)	(44)
Released during the year	-	-	-
Change of estimate	(164)	-	(164)
As at 31 December 2021	**220**	**82**	**302**

In CZK million	**Asset retirement obligation**	**Other provisions**	**Total**
As at 31 December 2021			
Short-term provisions	6	82	88
Long-term provisions	214	-	214
	220	**82**	**302**
As at 31 December 2020			
Short-term provisions	5	111	116
Long-term provisions	376	-	376
	381	**111**	**492**

The Company recognized provision for estimated cost of dismantling and removing assets and restoring sites of CZK 220 million (31 December 2020: CZK 381 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 1 million (31 December 2020: CZK 4 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 7 million (31 December 2020: CZK 12 million) and utilizated provision by CZK 4 million (31 December 2020: CZK 21 million).

Due to an update of discount rate the provision decreased by CZK 164 million (31 December 2020: increased by CZK 27 million).

Other provisions include above all the provision for redundancy cost of CZK 71 million (31 December 2020: CZK 100 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.

20. CONTINGENT LIABILITIES

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

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

In August 2019, 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.

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

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

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

European Commission following the market test of proposed commitments is considering whether to accept the commitments and close the proceedings. The proceeding conducted by European Commission is hence 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 17).

21. 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 2021**	**As at 31 December 2020**
Interest on lease liability	142	152
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	2	2

Amounts recognized in statement of cash flows:

In CZK million	**As at 31 December 2021**	**As at 31 December 2020**
Total cash outflow for leases under IFRS 16	(781)	(799)

The lease liability arising from leases under IFRS 16 between related parties is disclosed in Note 24.

Operating leases:

As at 31 December 2021

In CZK million	**Less than 1 year**	**1 to 5 years**	**Over 5 years**
Operating leases - lessor	115	219	39

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

Capital expenditure contracted but not yet recognized in the financial statements as at 31 December 2021 amounted to CZK 721 million (31 December 2020: CZK 550 million). The majority of contracted amounts relates to telecommunication networks and service contracts.

22. 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.

23. EQUITY

	31 December 2021	31 December 2020
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 2021	31 December 2020
CETIN Group N.V.	100.00%	89.7%
PPF A3 B.V.	0.00%	10.3%

On 1 September 2021 the minority shareholder PPF A3 B.V. has merged to CETIN Group B.V., which then has changed it legal form from B.V. (*Besloten Vennootschap*) to N.V. (*Naamloze Vennootschap*).

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. 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 10 March 2021, approved the statutory financial statements for year ended 31 December 2020 and approved the distribution of dividends of CZK 2,536 million from profit for the year ended 31 December 2020. The payment was proceeded in two installments, CZK 1,400 million on 31 March 2021 and CZK 1,136 million on 31 August 2021.

Gains and Losses from revaluation arising from Cash Flow Hedges

In CZK million	**2021**	**2020**
The fair value of the effective part of cash flow hedges at 1 January	111	626
Deferred tax asset/(liability) arising from revaluation gains and losses at 1 January	(21)	(119)
Total balance at 1 January	**90**	**507**
Net profit/(loss) from the change in the fair value of a hedge instruments for the period		
Cross currency swap	(461)	(515)
Accumulated net profitn/(loss) arising from cash flow hedges for the period recognised through profit or loss		
Cross currency swap	350	-
Tax effect of cash flow hedges for the period	21	98
The fair value of the effective part of cash flow hedges at 31 December	-	111
Deferred tax asset/(liability) arising from revaluation gains and losses at 31 December	-	(21)
Total balance at 31 December	**-**	**90**

The Company started applying hedge accounting upon cash flow hedges in 2016. In December 2021 the hedge accounting ceased to be applied.

Other funds

As at 31 December 2021 other funds of CZK 14,615 million (31 December 2020: CZK 14,615 million) represent other capital funds created from the contributions provided by shareholders.

24. RELATED PARTY TRANSACTIONS

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

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

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

The following transactions were carried out with related parties:

a) Transactions with related parties

	Assets/Liabilities as at	
In CZK million	**31 December 2021**	**31 December 2020**
Receivables from provided services		
Companies in PPF Group	979	977
of which: O2 Czech Republic a.s.	855	859
Positive fair value of derivatives		
Companies in PPF Group (Note 17)	1	-
Payables from purchased services		
Companies in PPF Group	(444)	(412)
of which: O2 Czech Republic a.s.	(202)	(246)
Negative fair value of derivatives		
Companies in PPF Group (Note 17)	(75)	(300)
Nominal value of derivatives		
Companies in PPF Group (Note 17)	(2,924)	(14,429)

	Assets/Liabilities as at	
In CZK million	**31 December 2021**	**31 December 2020**
Cash equivalents		
Companies in PPF Group	625	1,266
Right of use		
Companies in PPF Group	26	29
Received loans		
Subsidiaries (Note 17)	(4,825)	(21,212)
Shareholders (Note 17)	(15,556)	-
Lease liability		
Companies in PPF Group	(27)	(30)

	Volume of mutual transactions	
In CZK million	**Year ended 31 December 2021**	**Year ended 31 December 2020**
Sale of services (revenues and other income)		
Companies in PPF Group	10,132	10,291
of which: O2 Czech Republic a.s.	9,460	9,665
Purchase of services		
Companies in PPF Group	(710)	(732)
of which: O2 Czech Republic a.s.	(128)	(160)
Interests from received loans		
Subsidiaries	(290)	(316)
Shareholders	(19)	-
Net gain/loss on fair value of derivatives		
Companies in PPF Group	(74)	(3)

In 2021 the Company received from the parent company (CETIN Group B.V.) the intra-group loan described in Note 17. There were no transactions with the parent company in 2020.

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 16.

In connection with bonds issued the Company granted a guarantee to its subsidiary CETIN Finance B.V. (see Note 20).

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 17.

For the year ended 31 December 2021, capital expenditures from related parties amounted to CZK 0 million (31 December 2020: 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. The Company has signed an amendment to the agreement with effect from 1 January 2022, which will increase financial performance.

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 receives 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). The Company expects continuation of performance according to the contract.

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. The contract is concluded for an indefinite period.

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. The Cross Guarantee is not limited in time and may be exercised at any time until all of the debts thus secured have ceased to exist.

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

	Year ended 31 December 2021	Year ended 31 December 2020
Remuneration in CZK million		
Board of directors	33	22
Supervisory board	-	-
Key management	46	39
Total	**79**	**61**
Number of members		
Board of directors	4	4
Supervisory board	3	3
Key management	11	10
Total	**18**	**17**

No loans were provided to members of the Board of Directors and Supervisory Board in 2021 and 2020.

25. SUBSIDIARIES

As at 31 December 2021

Subsidiaries	Company's interest	Cost of investment in CZK million	Country of incorporation	Activity
1. CETIN Finance B.V.	100%	56	Netherlands	Financial services
2. CETIN služby s.r.o.	100%	*0	Czech Republic	Other services
Total		**56**		

*200 ths CZK

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
Total			**96**		

*200 ths CZK

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.

In 2021 the subsidiary CZECH TELECOM Germany GmbH was liquidated and subsequently was removed from the Commercial register.

26. MATERIAL SUBSEQUENT EVENTS

No subsequent events have occurred after the balance sheet date with the material impact to the financial statements for the year ended 31 December 2021.