CETIN GROUP N.V.

Annual accounts 2022

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Directors' Report

Description of the Company

CETIN Group N.V.

Date of incorporation:	23 January 2016
Registered office:	Netherlands, Strawinskylaan 933, 1077XX Amsterdam
Identification number:	65167899
Authorised capital:	EUR 45,000
Issued capital:	EUR 45,000
Paid up capital:	EUR 45,000
Principal business:	Holding company activities and financing thereof

General information

CETIN Group N.V. (the "Parent Company") is a leading open access provider of active and passive telecommunications infrastructure services in the CEE region. The services provided include mobile telecommunication, fixed-line telecommunication, telecommunications infrastructure, data services, internet television, and international voice transit. The Parent Company belongs to a group comprised of PPF Group N.V. and its subsidiaries ("PPF Group"). The PPF Group is privately held and ultimately majority owned and controlled by Mrs Renáta Kellnerová and descendants of Mr Petr Kellner. As of 31 December 2022, the shareholding of Kellner family was 98.93%, with Mrs Renáta Kellnerová holding 59.358% stake.

The majority shareholder of the Parent Company is PPF Telecom Group B.V., a company 100% owned by the PPF Group, consolidating telecommunication operators and telecommunications infrastructure providers in the CEE region. As of 31 December 2022, PPF Telecom Group B.V. ("PPF Telecom Group") owns 70% of the Parent Company, having sold a 30% stake in the Parent Company to Roanoke Investment Pte. Ltd. ultimately owned by GIC (Ventures) Pte. Ltd., the company 100% owned by Minister for Finance of the Singapore's Government ("Roanoke Investment"), in March 2022.

The Parent Company and its subsidiaries (collectively, the "Group") provide services in Czechia, Hungary, Bulgaria, and Serbia and operate through four principal segments that are defined in geographical terms. Anchor customers of the Group's operating companies are telecommunications operators from PPF Telecom Group, operating under O2 and Yettel brands. In addition, the Group undertakes certain other ancillary activities included in its unallocated segment. Details on the segments are described in Section D of the notes to the accompanying consolidated financial statements.

1. CETIN Czechia Segment

The Group's infrastructure segment in Czechia consists of the activities of CETIN a.s. ("CETIN Czechia"), the owner and operator of the incumbent and largest telecommunications network infrastructure in Czechia, and its subsidiaries. CETIN Czechia acts as a wholesale provider of fixed and mobile telecommunications infrastructure to all telecommunications operators on an equal and transparent footing. As of 31 December 2022, the Parent Company held a 100% ownership interest in CETIN Czechia. CETIN Czechia was incorporated in June 2015 as a spin-off of the infrastructure assets and wholesale business of O2 Czech Republic a.s. ("O2 Czechia"). CETIN Czechia divides its business activities into two main divisions: domestic network services and international transit services. Its largest customers include O2 Czechia, T-Mobile Czech Republic a.s. ("T-Mobile Czechia") and Vodafone Czech Republic a.s. ("Vodafone Czechia"). CETIN Czechia has separate funding through Eurobonds and has been rated Baa2 (negative outlook) by Moody's and BBB (stable outlook) by Fitch.

2. CETIN Hungary Segment

The Group's CETIN Hungary segment has been newly created in 2020. It was incorporated on 1 July 2020 as a spin-off of the active and passive mobile infrastructure assets of Telenor Hungary[1]. CETIN Hungary consists of the

[1] Rebranded to Yettel in March 2022

activities of CETIN Hungary Zrt. ("CETIN Hungary"). CETIN Hungary is owned by the TMT Hungary Infra B.V., a holding company, in which as at 31 December 2022 the Parent Company owned 75%, and a 25% minority stake was owned by Antenna Hungária Zrt., the country's leading state-owned telecommunications service provider. CETIN Hungary provides mobile network services on a wholesale basis to Yettel Hungary as its principal customer.

3. CETIN Bulgaria Segment

The Group's CETIN Bulgaria segment has been newly created in 2020. It was incorporated on 1 July 2020 as a spin-off of the active and passive mobile infrastructure assets of Telenor Bulgaria[2]. CETIN Bulgaria consists of the activities of CETIN Bulgaria EAD ("CETIN Bulgaria"). It is 100% owned by the Parent Company and provides mobile network services on a wholesale basis to Yettel Bulgaria as its principal customer.

4. CETIN Serbia Segment

The Group's CETIN Serbia segment has been newly created in 2020. It was incorporated on 1 July 2020 as a spin-off of the active and passive mobile infrastructure assets and wholesale business of Telenor Serbia[3]. CETIN Serbia consists of the activities of CETIN d.o.o., Belgrade ("CETIN Serbia"). It is 100% owned by the Group and provides mobile network services on a wholesale basis to Yettel Serbia as its principal customer.

5. Unallocated Segment

The unallocated segment represents the holding entities CETIN Group N.V. and TMT Hungary Infra B.V.

Business objectives

The Group's mission is to be a leader in providing telecommunication infrastructure services across the CEE region. In this mission, the Group benefits from the following key strengths:

- Leading open access telecommunication infrastructure platform in the CEE region.
- The Group is well positioned to benefit from a structural increase in digitalisation and data demand.
- Committed and growing cash flows underpinned by mobile service agreements with high quality customers.
- Significant up-selling and growth opportunities beyond the mobile service agreements.
- Conservative financial profile with strong margins and high revenue visibility.
- Experienced management team supported by committed shareholders.

The Group aims to achieve its mission through the following strategy:

- Strengthen its position as a leading integrated, open access telecommunication infrastructure services provider in the CEE region, capitalising on network modernisation driven by 5G roll-out.
- Pursue macro site and small cell network densification.
- Build on the Group's existing capabilities to position itself in infra+ projects with a particular focus on private networks & EDGE, DAS and smart cities.
- Maximise value capture from fixed broadband and the roll-out of FTTH in Czechia.
- Explore multiple inorganic expansion opportunities in mobile infrastructure services and fibre optic.
- Maintain high-quality operations and service levels.
- Continue investing in the modernisation of infrastructure.

Business model

The Parent Company was established as a holding company for entities of the PPF Group active in the telecommunications infrastructure sector.

The Group is a wholesale provider of fixed and mobile telecommunications infrastructure to all telecommunications operators on equal and transparent footing. The Group does not provide services directly to end users.

Main products and services

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[2] Rebranded to Yettel in March 2022.
[3] Rebranded to Yettel in March 2022.

Mobile network infrastructure services – services of mobile network provided on a wholesale basis to telecommunication operators.
Fixed network infrastructure services – Internet connectivity, data and TV and fixed voice services provided on a wholesale basis to telecommunication operators.
Data centres – housing service in the Group's data centres.
Data services – infrastructure services on the Group's leased lines for ICT solutions provided by telecommunications operators to their corporate customers.
International transit services – international voice traffic transmissions provided for international operators from all over the world.

Although the business model is the same for all segments, CETIN Hungary, CETIN Bulgaria and CETIN Serbia currently do not have the same range of assets and services as CETIN Czechia.

CETIN Czechia

CETIN Czechia is the owner and operator of the largest telecommunications infrastructure portfolio in Czechia, namely the largest fixed access network in the country, comprising both metallic and fibre lines; radio access network for mobile services in the eastern part of the country and operated in network sharing arrangement with another leading mobile infrastructure operator, T-Mobile Czechia; transport network and data centres connecting the fixed and radio access networks; points of presence, transport network and switching equipment for transit of international voice calls. CETIN Czechia uses radio access network for mobile services in the western part of the country operated by T-Mobile Czechia in network sharing arrangement. CETIN Czechia manages an extensive portfolio of real estate properties across the country as an owner or as a lessee, housing its telecommunications equipment.

CETIN Czechia divides its business activities into two very different business lines – provision of national network services and international transit services. These two business lines operate in different types of 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/FTTC, 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 CETIN Czechia reinvests in the development of network infrastructure for the provision of these services.

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

Main products and services

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

Mass fixed-line network services – CETIN Czechia primarily offers all operators in the Czech market services 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 – CETIN Czechia also provides operators with data services on leased lines for their corporate customers.
International transit services – CETIN Czechia provides international operators from all over the world with the transmission of international traffic, primarily voice.
Other services – This category includes the lease of dark fibres, housing in data centres, national interconnection services, support services for roaming, forced network transfers, duct hire and other associated services.

CETIN Hungary, CETIN Bulgaria and CETIN Serbia

CETIN Hungary, CETIN Bulgaria and CETIN Serbia are the owners and operators of mobile telecommunications infrastructure in their respective countries, formerly owned and operated by Telenor Hungary, Telenor Bulgaria and Telenor Serbia.

Main products and services

Mobile network services – provided on a wholesale basis predominantly for Yettel Hungary, Yettel Bulgaria and Yettel Serbia.

Group level

The Parent Company does not have own operations. The senior management team of the Group comprises experienced executives from PPF Group with extensive experience in the telecommunications sector, mainly in the CEE region, and the top level of the management in the Group's operating subsidiaries with vital local knowledge and expertise. The role of the management teams in segments is to deliver operational and financial objectives set by the Group through managing commercial, financial and regulatory aspects of the subsidiaries' operations. The senior management of the Group is involved in determining the Group's strategy, setting objectives for the subsidiaries, managing the human resources responsible for the delivery of these objectives and managing knowledge transfer between the subsidiaries to spread best practice across the segments in commercial, operational, purchasing, organisational, technological, procurement, financial, legal and other aspects of their operations.

2022 highlights

In 2022, the Group showed sound operational and financial performance and continued developing its telecommunications assets.

From 1 January 2022, the Group operates under new Mobile Services Agreements ("MSA") with its anchor customers, telecommunications operators from PPF Telecom Group, operating under O2 and Yettel brands. The MSAs were negotiated in 2021 and guarantee the business for the Groups for a definite term until 31 December 2051.

COVID-19 pandemic has not had a noticeable impact on the Group's operations during 2022. The Group had implemented effective measures for the protection of the health and safety of its workforce and of its customers back in 2020 and adapted the operating procedures to the conditions brought about by the pandemic and government restrictions, to make sure that both operations and investment activities continue without major interruption and impediments.

The war in Ukraine and the sanctions against Russia have not had an impact on the Group's operations during 2022.

The Group's segments were focused on exploring synergies in their operating model, purchasing, network construction and system development.

CETIN Czechia, CETIN Hungary and CETIN Bulgaria continued upgrading its mobile network for 5G requirements and started 5G service roll-out.

CETIN Serbia continued improving the availability and the capacity of its mobile network in line with the growing demand for mobile data services and in preparation for the introduction of 5G services.

CETIN Czechia continued upgrading its fixed network to Next Generation Access (NGA) standards.

In March 2022, as a consequence of the dilution of ownership, i.e. the transfer of 30% stake on the Parent Company from PPF Telecom Group to Roanoke Investment, Moody's changed the outlook on their Baa2 rating of the Group to negative.

In April 2022, the Group has issued its inaugural Eurobonds, to refinance part of its bank loans.

Key results

Operational performance and non-financial KPIs

The Group has continued diversifying the portfolio of customers that are using the Group's infrastructure services beyond the anchor clients from the PPF Telecom Group.

CETIN Czechia further strengthened its mobile network by adding new stations, new layers, and new network capacity. The fixed network modernisation programme has progressed further, and the company now offers Next Generation Access lines (50 Mbps or more) in 89% of its connection points, including speeds of up to 1 Gbps. These improvements and new long-term contracts with retail operators reversed the decline in the DSL customer base, that is growing again since 2018. In 2022, CETIN Czechia continued increasing the number of access lines provided to telecommunications operators for providing fixed broadband services to the end-users, reaching a total of 1,230 thousand fixed access lines in operation at the end of the period, a growth of 2.8% year over year. The driver of the growth were the fibre-to-the-home (FTTH) connections, whose number has doubled in 2022.

CETIN Hungary, CETIN Bulgaria, and CETIN Serbia reported resilient business performance with growing mobile traffic and data consumption. These segments provide wholesale mobile infrastructure services predominantly to Yettel companies in these countries and do not have meaningful operational KPIs at the moment.

Revenues, costs and operating profit

Compared to the previous year, the Group's consolidated revenues and operating profit excluding depreciation, amortisation and impairments (EBITDA) have grown by 6.9% and 4.8%, respectively. The Group reported a sound growth in total revenues, driven by robust performance of the domestic segment, partly offset by the declining, low-margin international voice transit segment. Healthy growth of EBITDA is driven by the growing demand for more capacity and speed in mobile networks, sustained growth of demand for reliable, fast and unlimited fixed connection, and continued focus on operational efficiency.

Depreciation and net profit

The total amount of depreciation, amortisation and impairment charges in 2022 has grown 3.8% year over year, reflecting robust investment programme. The net profit of the Group has declined due to increased net financial costs.

CETIN Czechia total revenues grew in 2022 by 7.6% compared to the previous year. The key driver was a strong demand for 5G mobile infrastructure, helped by favourite exchange rate development. Domestic revenues, that are the decisive driver of earnings, have grown by 14.7% year over year. Focus on fewer revenues with higher profit margins helps to moderate the ongoing decline of the international voice transit segment. Growing gross margins mainly from mobile services and the fixed lines services translated in healthy EBITDA growth of 8.1% year over year, despite growing energy consumption related to network expansion, and inflationary pressures on energy and labour prices.
CETIN Hungary, CETIN Bulgaria, and CETIN Serbia, whose combined revenues account for one third of the Group's total, have reported a healthy 5.8% growth. The combined EBITDA of the three segments remained in line with last year's.

Capital expenditure

In 2022, the Group acquired fixed assets totalling EUR 369 million. These investments were mainly channelled in further development of the Group's telecommunications infrastructure. The main investment projects were related to the roll-out of 5G mobile networks and the related modernisation of the network infrastructure across all segments. CETIN Czechia continued accelerating the roll-out of fibre in its national broadband network to protect its market leadership position.

Current assets

The cash position of the Group in 2022 has remained at the same level as previous year, while the trade receivables have grown by 15%, driven by growing cost base.

Fixed assets

The total value of fixed assets of the Group grew slightly to EUR 3,443 million as at 31 December 2022, reflecting a robust network development programme.

Tangible assets reached a net book value of EUR 2,366 million, having grown by 5.2% year over year, with additions from continued investment in the development of the telecommunications infrastructure across all segments, offset by depreciation charges.

Intangible assets and goodwill reached a net book value of EUR 707 million with additions mainly from own software development, offset by amortisation charges.

Right-of-use assets recorded at a net book value of EUR 346 million represent mainly the value of real estate leases for mobile sites, office and technology buildings with network installations.

For detailed information, see Notes E.5 and E.6 of the accompanying consolidated financial statements.

Debt and equity

EMTN programme at CETIN Czechia level

In December 2016, CETIN Czechia established a Euro Medium Term Note Programme ("EMTN"), of which the last outstanding part of CZK 4,866 million (approx. EUR 202 million, due in December 2023) was utilised as of 31 December 2022, with no changes during 2022.

Financing at CETIN Group level

As of 1 January 2022, the Parent Company had utilised term loans in an aggregate amount of EUR 1,650 million.

In April 2022, the Parent Company established an EMTN programme of up to EUR 2,000 million, and issued its inaugural EUR 500 million Eurobond, due in 2027. All proceeds from this issuance were used to partially repay the existing term loans of the Parent Company.
The total consolidated indebtedness of the Parent Company thus remained at the same level during 2022, with partially extended maturity. For detailed information, see Notes E.10 and E.11 of the accompanying consolidated financial statements.

The owner's equity of the Group stood at EUR 1.0 billion as at 31 December 2022 having grown slightly during the year, mainly through the net profit achieved in 2022 and lower distribution of dividends.

The debt-to-assets ratio[4] declined slightly from 0.75 to 0.73 and the debt-to-equity ratio[5] from 3.12 to 2.67.

Profit distribution and other payments to shareholders

The consolidated net profit of the Group in 2022 reached EUR 224 million. During 2022, the Parent Company paid EUR 90 million in dividends to its shareholders, while non-controlling shareholders of the Parent Company's subsidiaries received EUR 5 million in dividends.

Cash flows

Consolidated net cash from operating activities of the Group reached EUR 530 million, a level similar to the previous year. Net cash used in investing activities consisted mainly of EUR 359 million investments in the development of the telecommunications infrastructure. The significant growth of these disbursements compared to the previous period reflects the intense investment programme, mainly the rollout of 5G mobile networks. Free cash flows[6] reached EUR 178 million, reflecting the increase of proceeds reinvested in network development.

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[4] Debt to assets = total liabilities/total assets
][5] Debt to equity = total liabilities/owners' equity
[6] Free cash flows = net cash from operating activities plus net cash used in investing activities

No material net proceeds from bank loans and securities[7] were reported in 2022, as the proceeds from new Eurobond issuance were fully used for partial repayment of bank loans at the Parent Company level.

After net interest payments and lease payments of EUR 83 million, the total 2022 cash flows before distributions to shareholders added up to EUR 95 million. The Group distributed EUR 95 million of dividends to shareholders.

The closing cash position of the Group of EUR 82 million has remained at the same level as the previous year.

For detailed information, see the accompanying consolidated statement of cash flows for the financial year ended on 31 December 2022.

Business outlook

The Group will continue growing the Group's revenue base within the current telecommunications market, primarily through organic growth. The Group's long-term operational focus is to continue modernising and developing its telecommunications infrastructure, while improving the efficiency of its operations through synergies and sharing the best practice between the segments.

To maintain a leading position in its respective telecommunications markets and to ensure the high quality of services, the Group plans to continue investing substantial amounts in the modernisation of its infrastructure and in the development of new products and services, such as the next generation RAN (radio access network), 5G mobile network service or FTTH (fibre-to-the-home) fixed networks. The Group will likewise continue investing in the development of new telecommunication solutions and products, to meet clients' expectations and capitalise on trends in the telecommunications market, especially increasing data usage and demand for fast, reliable and unlimited access to data. At the local level, segments will continue developing tactical solutions and products for its local markets. The Group's executive management will continue researching and developing strategic solutions around emerging technologies and trends so that they can be efficiently deployed across the whole Group.

The Group's strong and reliable operating cash flows together with its cash reserves and credit facilities provide sufficient financing for its intended future business activities, capital investments, and for meeting its liabilities towards its creditors, including banks and bondholders. The Group will continue monitoring the financial markets and may consider further refinancing parts of its debts or exploring other ways of optimising its capital structure and benefit from potentially favourable market conditions.

The Group will remain focused on increasing the efficiency and high levels of staff loyalty of the workforce in its subsidiaries through local training, personal development and performance management programmes. The Group will continue investing substantial amounts in the development of more efficient internal systems to further increase the time spent by its employees on value added activities, especially in customer-facing positions. The Group will also remain focused on sharing its best practices in sales and operations, procurement, technology transformation, management and the structuring of its subsidiaries, to create synergies and efficiencies to be reinvested in telecommunications infrastructure, products and services that will sustain its leading market position.

The Group is developing a comprehensive ESG strategy and will start reporting on its contribution to the improvement of the environment, global climate, human rights and social development.

COVID-19 pandemic, the war in Ukraine and sanctions against Russia are three major global events that might be indirectly affecting the business of the Group in the future. The Group will continue to follow closely the developments, anticipate possible risks and will have mitigating solutions available. Some of the impacts of the pandemic may potentially present a business opportunity for the Group, such as greater demand for telecommunication services, telecommuting, telelearning, next generation of fixed and mobile access and rapidly increased digitalisation of operations by businesses. The Group will be prepared to exploit the possibly emerging new opportunities.

Organisational structure, management, and staff development

[7] Net proceeds from bank loans and securities comprise proceeds from loans due to banks and other financial institutions, repayment of loans due to banks and other financial institutions, and payment of debt securities.

The Parent Company has no employees and therefore no organisational structure. All Group employees are employed by the subsidiaries of the Parent Company.

Senior Management

The senior management of the Group (the "Senior Management") consists of the Chairman of the Board, Chief Executive Officer of the Group, Chief Financial Officer of the Group, Chief Technology Officer of the Group, Commercial Strategy Director of the Group, Chief Legal Counsel of the Group, HR Strategy Director and the Chief Executive Officers of the Group's operating subsidiaries. The members of the Senior Management are employees of PPF Group or of a relevant subsidiary of the Parent Company.

The following table sets forth the members of the Senior Management appointed as at 31 December 2022.

Name	Position	Commencement of Current Term of Office
Juraj Šedivý	Chief Executive Officer	1 July 2020
Jan Kadaník	Chairman of the Board of Directors	1 July 2020
Filip Cába	Chief Financial Officer	1 July 2020
Tamás Ötvös	Chief Technology Officer	1 July 2021
Richard Páleník	Acting Commercial Strategy Director	1 November 2022
Lucia Regecová	Chief Legal Counsel	1 April 2022
Lenka Výborná	HR Strategy Director	1 March 2021
Martin Škop	Chief Executive Officer CETIN Czechia	1 September 2020
Judit Kübler-Andrási	Chief Executive Officer CETIN Hungary	1 September 2022
Petar Mudrinić	Chief Executive Officer CETIN Bulgaria	1 January 2021
Vladimir Skulić	Chief Executive Officer CETIN Serbia	1 July 2020

Staff development

The average number of employees during 2022 remained stable, having grown 2% year over year mainly due to hiring employees for new infrastructure projects.

Social aspects of operating the business

The Parent Company has no operations. Operations are conducted by the segments of the Parent Company. The segments have their own social policies that are reflective of specific local regulatory requirements and of specific local challenges and opportunities to contribute to the larger society. The Group is contributing to the efforts by enabling and instigating transfer of best practices across its segments.

Accelerating technology for good

The segments dedicate ample resources to research and development, primarily in the field of telecommunications technology development and related IT systems. A number of the newly developed products and services is addressing environmental and social challenges. The segments provide a technology foundation for stable and secure communication of the individuals, communities, and the society in its operating countries by connecting people, organisations and businesses at a level previously not possible, offering uninterrupted mobile voice and data connections anytime and in almost any location, providing means of communication, access to information, increased security, convenience, education and entertainment to ever larger groups of the population. This enables software and solutions developers to invent and deliver still new solutions that are profoundly changing the way of life for individuals and the way of doing business for companies and entrepreneurs. These new solutions often call for new advances in telecommunications and the two industries operate in a virtuous cycle, driving further innovations and growth of the telecommunications business.

The ongoing COVID-19 pandemic and measures to contain and prevent spread of the disease continue putting the individuals, communities and the whole societies under intense pressure. The Group's companies are in a position to alleviate some of these difficulties and provide vital support to local communities as well as at the national level through its innovative services and continuously improving availability of high-speed data connection.

Besides developing and using technology for good, the segments also continue with their dedicated respective corporate citizenship programmes.

Safeguarding cyber security, digital and personal data

As privacy and security are top of mind for the society, each operating segment of the Group is continuously working on improving the privacy of its customers' data and increasing the resilience of the network against cyber-attacks and cyber frauds. The operating segments are also cooperating with the respective national law enforcement authorities on issues that focus on the safety of individuals and of the public from crime and terrorism.

The Group segments operate within the national and international supply chains for telecommunications equipment, software, and network construction materials. The Group pays close attention to the selection of its suppliers, choosing them from the world's most reputable providers, and requiring certificates of quality and compliance of the products with all standards and regulations relevant to the import and operation of these products.

Reducing our environmental impact

The Group is aware of the importance of maintaining a healthy and undamaged environment for current and future generations. It has therefore incorporated a policy of reducing the environmental impact of its operations, throughout its value chain, whilst leveraging new technologies to facilitate environmental transformation. Targets leading to the lessening of any negative impacts on the environment in 2022 mainly focused on reducing energy consumption, fuel savings and replacing refrigerants in air-conditioning units, which also lead to a reduction in the emission of greenhouse gases and other harmful substances into the atmosphere, and to financial savings. Managing input materials and waste is another important area where the Group contributes to the improvement of the environment.

Safeguarding health, wellbeing, and human rights

All segments are committed to safeguarding health, safety and wellbeing of its employees, customers, partners, suppliers, and communities in which they operate, including workers across the supply chain.

The Group has established standards of responsible network deployment across all segments, and product quality practices for ensuring health and safety of its customers and the communities. Continuous employee training and development is coordinated by the Group and all segments are brought to the Group's best practice standards. The Group plays the same role in establishing the best practice in occupational health and safety across all segments.

Code of conduct

PPF Group has implemented a Corporate Compliance programme which sets out the fundamental principles and rules of conduct for all employees in the Group and enables compliance checks and putting remedies in place when shortcomings are discovered, or objectionable or illegal conduct identified. An important part of the programme is the PPF Group Code of Ethics, dealing, among other topics, with the protection of human rights and the prevention of corrupt conduct in all Group activities. Internal guidelines entitled Corporate Compliance Internal Investigation further regulate how workers, managers and the governing and inspection bodies of the Group should proceed in case of suspicion, investigation and discovery of actions that are unethical or improper and/or contrary to legal regulations or the Code of Ethics of PPF Group.

The Group is also working with partners and suppliers to ensure dignity and equality across its value chain.

Corporate governance

The Parent Company has a one-tier management structure consisting of its Board of Directors (*bestuur* in Dutch) (the "Board of Directors"). The Board of Directors represents the Parent Company in all matters and is charged with its day-to-day business management..

In March 2022, new Articles of Association were adopted, in connection with the sale of 30% stake in the Parent Company by its shareholder PPF Telecom Group to Roanoke Investment. The changes mainly concern the composition of the Board of Directors.

Board of Directors

The Board of Directors is the Parent Company's statutory body, which directs its operations and acts on its behalf.

The Parent Company's general meeting of shareholders elects the members of the Board of Directors and may at any time suspend or remove any member. Re-election of the members of the Board of Directors is permitted. Pursuant to the Parent Company's Articles of Association (*statuten* in Dutch) (the "Articles of Association"), the Board of Directors consists of one or more directors. Currently, the Board of Directors has seven directors, of which four are nominated by PPF Telecom Group, two by Roanoke Investment, and one director is independent, nominated jointly by both shareholders.

All members of the Board of Directors are obliged to perform their tasks and duties related to the office in the best corporate interest of the Parent Company and the undertaking attached to it, as required under Dutch law. The Parent Company can be represented the Board of Directors and by two directors acting jointly, or by granting a power of attorney to one or more natural persons and/or legal entities to represent the Parent Company and determine the scope of authority.

The following table sets forth the members of the Board of Directors appointed as at 31 December 2022:

Name	Position	Commencement of Current Term of Office
Juraj Šedivý	Chief Executive Officer and Director	1 July 2020
Jan Kadaník	Chairman of the Board of Directors	1 July 2020
Jan Cornelis Jansen	Director	23 January 2016
Marcel Marinus van Santen	Director	23 January 2016
Kamil Burganov	Director	9 March 2022
Andrew James Dench[8]	Director	9 March 2022
Jaime Smith Basterra	Director (independent)	22 March 2022

The Board of Directors has one independent observer, Alexandra Reich. The independent observer is nominated jointly by both shareholders. The independent observer can only be a person with expertise in the telecoms sector, entitled to attend and speak at the Board of Directors meetings, but does not have a vote. The independent observer is a member of the related party and material contracts committee.

The business address of all members of the Board of Directors is at Strawinskylaan 933, 1077XX Amsterdam, the Netherlands.

The size and composition of the Board of Directors and the combined experience and expertise of their members should reflect the best fit for the profile and strategy of the Parent Company. This aim for the best fit, in combination with the availability of qualifying candidates, has resulted in the Parent Company currently having a Board of Directors in which all members are male.

Committees

To further strengthen its corporate governance, the Parent Company introduced an audit and risk committee, a nomination, remuneration and ESG committee and a related party and material contracts committee.

Audit and Risk committee

As the Parent Company's securities are not traded on a regulated market, the Parent Company is not a Public Interest Entity and it is not required to establish an audit committee.

Notwithstanding the fact that the Parent Company is not required to establish an audit committee, the shareholders of the Parent Company have agreed that such a committee should be established. Accordingly, the Audit and Risk Committee (the "AR Committee") was established by the resolution of the Board of Directors held on 26 May 2022.

The AR Committee consists of at least two directors, one of whom must be the Independent Director, and (if considered appropriate) one or more other persons, provided that the majority of the members of the AR Committee

[8] Replaced by Rhys AP John Phillip from 9 January 2023

are directors. Members of the AR Committee are appointed and removed by the Board of Directors. The AR Committee meets as often as it deems appropriate to discharge its responsibilities. The AR Committee meets with the Group's external auditor as often as it deems necessary, but at least annually. The AR Committee reports its deliberations and findings to the Board of Directors on a regular basis, but at least annually. The Group's internal audit function has a direct access to, and reports directly to, the AR Committee and the AR Committee ensures that the Group's internal audit function also has direct access to the Group's external auditor.

The following table sets forth the members of the Committee appointed as at 31 December 2022:

Name	Position	Commencement of Current Term of Office
Jaime Smith Basterra	Chairman of the Committee	26 May 2022
Andrew James Dench[9]	Member of the Committee	26 May 2022
Jitka Mašátová	Member of the Committee	26 May 2022

Nomination, Remuneration and ESG Committee

The Nomination, Remuneration and ESG Committee (the "NRE Committee") was established by the resolution of the Board of Directors held on 26 May 2022.

The NRE Committee consists of at least two directors, and (if considered appropriate) one or more other persons, provided that the majority of the members of the NRE Committee are directors. Members of the NRE Committee are appointed and removed by the Board of Directors. The NRE Committee meets as often as it deems appropriate to discharge its responsibilities. The NRE Committee regularly reports its deliberations and findings to the Board of Directors.

The following table sets forth the members of the NRE Committee appointed as at 31 December 2022:

Name	Position	Commencement of Current Term of Office
Jan Kadaník	Member of the Committee	26 May 2022
Andrew James Dench[10]	Member of the Committee	26 May 2022
Juraj Šedivý	Member of the Committee	26 May 2022

Related Party and Material Contracts Committee

The Related Party and Material Contracts Committee (the "RPMC Committee") was established by the resolution of the Board of Directors held on 26 May 2022. The RPMC Committee consists of the independent observer, at least two directors, and (if considered appropriate) one or more other persons, provided that the majority of the members of the RPMC Committee are directors. Members of the RPMC Committee are appointed and removed by the Board of Directors. The RPMC Committee meets as often as it deems appropriate to discharge its responsibilities. The RPMC Committee regularly reports its deliberations and findings to the Board of Directors.

The following table sets forth the members of the RPMC Committee appointed as at 31 December 2022:

Name	Position	Commencement of Current Term of Office
Juraj Šedivý	Member of the Committee	26 May 2022
Kamil Burganov	Member of the Committee	26 May 2022
Alexandra Reich	Member of the Committee	26 May 2022

[9] Replaced by Rhys AP John Phillip from 16 January 2023
[10] Replaced by Rhys AP John Phillip from 16 January 2023

Information supply and computerisation

The Group's IT applications and systems are decentralised by segments. Back-office systems in use are mostly industry standard applications, mainly desktop office applications and ERP system by SAP, with certain levels of customisation. Telecommunications network management systems are mostly industry standard systems supplied by technology vendors. Customer-facing systems are mostly developed internally and tailored to specific local requirements, market conditions, regulation and commercial opportunities.

Risk management

The Group has implemented a robust set of risk management procedures throughout all material segments, to ensure business continuity and emergency preparedness. The uncertainties and risks that the Group may be facing are continually identified by all segments and evaluated for their potential financial impacts and risk likelihood. Significant risks are periodically monitored, while preventive measures are applied to effectively limit the impact or likelihood of risks. The effectiveness of the measures is periodically reviewed by management.

Strategic uncertainties

The Group's main strategic uncertainties stem from potential changes in the market environment, including regulatory issues, new entrants, new technologies, economic developments and global phenomena such as pandemics. The Group's key mitigants of these potential risks are geographical diversification and a dedicated team of accomplished industry professionals at the Group level, monitoring the developments in the individual segments in the global environment, making critical decisions about technology investments and marketing strategies in the segments to anticipate and avert or minimise the potential risks.

Operating risks

Operating risks in the segments primarily concern issues of network capacity and quality, business critical systems and cybersecurity. The Group's dedicated executive team plays an important role in further improving the resilience of the segments against operating risks by transferring best practices across the segments and by taking decisions on investment programmes and future developments of critical network and systems capabilities. All Group's subsidiaries comply with EU's General Data Protection Regulation and the derived national laws and regulations. In compliance with the GDPR requirements the Group's subsidiaries established rigorous security standards for storage, treatment and processing of personal data. COVID-19 pandemic and measures to contain and prevent spread of the disease brought about a set of new potential operating risks, mainly related to closures of operations of the Group, lockdowns and travel limitations, and impacts to macroeconomic factors. The war in Ukraine and sanctions against Russia might indirectly affect the operations of the Group in the future, mainly through disruption of supply chain and macroeconomic factors. The Group will continue to follow closely the developments, anticipate possible risks and will have mitigating solutions available.

Financial risks

Financial risks mainly include the effects of changes in debt market prices, foreign currency exchange rates, and interest rates. The Group uses derivative financial instruments and/or non-derivative instruments to hedge potential exposures. At the operational level in the segments, the Group is facing certain credit risk, that is largely limited to the segment of international transit, arising from the provision of services to a large number of telecommunication operators worldwide, and liquidity risk, stemming from differences in the timing of operating, investing, and financing cash in- and outflows. Risk management is carried out by the treasury departments in the segments in accordance with policies issued at the Group level, where the executive management benefits from the insight into the best practices in the segments.

Credit risk

Under the Group's policy, all customers wishing to trade on credit terms are subjected to credit verification procedures. In addition, receivable balances are continuously monitored, together with the resulting non-significant Group's exposure to bad debts. Most of the risk in 2022 was related to trade receivables from the corporate sector, with 54% stemming from Czechia and another 33% from the segments operating in Hungary, Bulgaria and Serbia. COVID-19 pandemic impacts to macroeconomic factors might potentially put receivables collection under pressure and drive bad debt growth. All customers of the Group's operating companies are telecommunications operators, and the Group therefore is not directly exposed to retail customers' credit risks. As a result, the impact on Group's collection was negligible in 2022.

For detailed information, see Note C.1 of the accompanying consolidated financial statements.

Liquidity risk

The object of the Group's liquidity risk management is to secure access to cash resources sufficient to meet all cash payment obligations as they fall due. The Group collects information from the business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. A portfolio of short-term liquid assets is maintained to ensure sufficient liquidity. The daily liquidity position is monitored, and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions.

The Group maintains access to a financing base via bank loans from various banks worldwide, to enhance financing flexibility, limit dependence on any one source of funds and lower the costs.
The Group particularly focuses on its liquidity profile within the time horizon of the next 12-24 months, considering projected cash flow from operations and the maturity structure of both debt obligations and financial investments. 99% of the liquidity available to the Group is accessible within less than 3 months. 28% of the Group's debt is due in the next 2 years, 69% in 2 to 5 years and the remaining 3% in more than 5 years, however.

For detailed information, see Note C.2 of the accompanying consolidated financial statements.

Market risks

Fluctuations in interest rates or foreign exchange rates might affect the Group's income or the value of its holdings of financial instruments.

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group is exposed to interest rate risks arising from floating, interest-rate-bearing cash investments and debt instruments with a floating interest rate. Interest rate sensitivity analyses showed that the impact of a yield-curve movement by a hypothetical one percentage point on the Group's equity would be immaterial.

The Group is exposed to currency risk through transactions in foreign currencies and assets and liabilities denominated in foreign currencies. Foreign currency risk arises when the actual or forecast assets denominated in a given foreign currency are either greater or less than the liabilities denominated in that currency. It is the Group's policy to hedge such mismatches with derivative financial instruments to eliminate the foreign currency exposure.

The Group's main foreign exposures are to the countries in which the Group operates. Its exposures are measured mainly in Czech crowns, Hungarian forints, Bulgarian levs, and Serbian dinars. As the currency in which the Group presents its the consolidated financial statements is the euro, movements in the exchange rates between these currencies and the euro affecting the Group's consolidated financial statements are presented as part of a translation reserve in other comprehensive income. Net investments in foreign operations are not hedged.

As of 31 December 2022, the Group hedged neither the interest risk nor the foreign currency risk due to present market conditions. The Group keeps monitoring the market development to potentially take an appropriate action in the future.

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

For detailed information, see Note C.3 of the accompanying consolidated financial statements.

Events after the reporting period

On 9 January 2023, Andrew James Dench has been replaced in his role of director by Rhys AP John Phillip.
On 16 January 2023, Andrew James Dench has been replaced in his roles of Member of the AR Committee and Member of the NRE Committee by Rhys AP John Phillip.

In March 2023, the minority shareholder (Antenna Hungária Zrt.) of Hungarian CETIN operations sold its stake to Corvinus Nemzetközi Befektetési Zrt. (a state-owned company).

22 March 2023

The Board of Directors

CETIN Group N.V.

Consolidated financial statements for the year ended
31 December 2022

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Glossary

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

Consolidated statement of income and other comprehensive income

For the year ended 31 December

In millions of EUR

	Note	2022	2021
Domestic revenue	E1	889	802
International transit revenue	E1	219	234
Total revenue		**1,108**	**1,036**
Other income from non-telecommunication services		14	10
Personnel expenses	E2	(77)	(67)
Other operating expenses	E2	(414)	(377)
Operating profit excluding depreciation, amortisation and impairments		**631**	**602**
Depreciation of property, plant and equipment	E5	(236)	(228)
Depreciation on lease-related right-of-use assets		(59)	(58)
Amortisation of intangible assets	E6.2	(31)	(23)
Impairment loss on PPE and intangible assets	E5	(3)	(8)
Operating profit		**302**	**285**
Interest income		2	-
Net foreign currency gains/(losses)		20	39
Interest expense on lease liabilities	E17	(13)	(11)
Other interest expense		(35)	(20)
Other finance cost	E3	(3)	(3)
PROFIT BEFORE TAX		**273**	**290**
Income tax expense	E4.1	(49)	(48)
NET PROFIT FOR THE PERIOD		**224**	**242**
Other comprehensive income/(expense)*			
Currency translation differences		(2)	26
Cash flow hedge - effective portion of changes in fair value		-	(18)
Cash flow hedge - net change in fair value reclassified to profit or loss		-	13
Disposal of subsidiaries		-	2
Other comprehensive income/(expense), net of tax		**(2)**	**23**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**222**	**265**
Net profit attributable to:			
Owners of the Parent		212	221
Non-controlling interests	E16	12	21
Net profit for the period		**224**	**242**
Total comprehensive income attributable to:			
Owners of the Parent		216	245
Non-controlling interests	E16	6	20
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**222**	**265**

*Items that are or will be reclassified to the consolidated statement of income.

Consolidated statement of financial position

In millions of EUR

	Note	31 December 2022	31 December 2021 (restated)**
ASSETS			
Property, plant and equipment	E5	2,366	2,250
Other intangible assets	E6.2	128	100
Goodwill	E6.1	579	589
Right-of-use assets	E17.1	346	358
Other assets	E8	21	23
Deferred tax assets	E4.2	3	2
Non-current assets		**3,443**	**3,322**
Trade and other receivables	E7.1	169	147
Other financial assets		-	4
Inventories		4	4
Current income tax receivables		1	-
Other assets	E8	34	28
Cash and cash equivalents	E9	82	83
Current assets		**290**	**266**
TOTAL ASSETS		**3,733**	**3,588**
LIABILITIES			
Due to banks	E10	948	1,146
Debt securities issued	E11	496	195
Lease liabilities	E18	295	305
Trade and other payables	E12	62	61
Provisions	E13	32	44
Deferred tax liabilities	E4.2	238	237
Non-current liabilities		**2,071**	**1,988**
Due to banks	E10	2	297
Debt securities issued	E11	213	-
Financial liabilities at FVTPL		-	3
Lease liabilities	E18	59	60
Trade and other payables	E12	360	338
Provisions	E13	5	5
Current income tax liability		7	11
Current liabilities		**646**	**714**
TOTAL LIABILITIES		**2,717**	**2,702**
Issued capital*	E14	-	-
Share premium	E14	693	640
Other reserves	E15	106	162
Retained earnings		144	12
Total equity attributable to owners of the Parent		943	814
Non-controlling interests	E16	73	72
Total equity		**1,016**	**866**
TOTAL LIABILITIES AND EQUITY		**3,733**	**3,588**

*Issued capital is EUR 45 thousand (2021: EUR 45 thousand).
**For more details on the restatement please refer to A.7.

Consolidated statement of changes in equity

In millions of EUR

	Issued capital*	Share premium	Other reserves			Retained earnings/ (Accumulated losses)	Attributable to owners of the Parent	Attributable to NCI	Total
			Translation reserve	Hedging reserve	Other reserves				
Balance as at 1 January 2022	**-**	**640**	**48**	**-**	**114**	**12**	**814**	**72**	**886**
Effect of change in functional currency (refer to A.6)	-	53	(61)	-	1	7	-	-	-
Adjusted balance as at 1 January 2022	**-**	**693**	**(13)**	**-**	**115**	**19**	**814**	**72**	**886**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**212**	**212**	**12**	**224**
Currency translation differences	-	-	4	-	-	-	4	(6)	(2)
Other comprehensive income for the period	**-**	**-**	**4**	**-**	**-**	**-**	**4**	**(6)**	**(2)**
Total comprehensive income	**-**	**-**	**4**	**-**	**-**	**212**	**216**	**6**	**222**
Dividends to shareholders	-	-	-	-	-	(90)	(90)	-	(90)
Dividends to NCI	-	-	-	-	-	-	-	(5)	(5)
Other	-	-	-	-	-	3	3	-	3
Total transactions with owners of the Parent	**-**	**-**	**-**	**-**	**-**	**(87)**	**(87)**	**(5)**	**(92)**
Balance as at 31 December 2022	**-**	**693**	**(9)**	**-**	**115**	**144**	**943**	**73**	**1,016**

*Issued capital is EUR 45 thousand.

In millions of EUR

	Issued capital*	Share premium	Other reserves: Translation reserve	Other reserves: Hedging reserve	Other reserves: Other reserves	Retained earnings/ (Accumulated losses)	Attributable to owners of the Parent	Attributable to NCI	Total
Balance as at 1 January 2021	-	**1,456**	**20**	**4**	**71**	**(36)**	**1,515**	**148**	**1,663**
Profit for the period	-	-	-	-	-	**221**	**221**	**21**	**242**
Currency translation differences	-	-	26	-	-	-	26	-	26
Cash flow hedge - effective portion of changes in fair value	-	-	-	(16)	-	-	(16)	(2)	(18)
Cash flow hedge - net change in fair value reclassified to profit or loss	-	-	-	12	-	-	12	1	13
Disposal and deconsolidation of subsidiaries	-	-	2	-	-	-	2	-	2
Income tax related to components of OCI	-	-	-	-	-	-	-	-	-
Other comprehensive income for the period	-	-	**28**	**(4)**	-	**221**	**24**	**(1)**	**23**
Total comprehensive income	-	-	**28**	**(4)**		**221**	**245**	**20**	**265**
Decrease of share premium (refer to E.10)	-	(816)	-	-	-	-	(816)	-	(816)
Dividends to shareholders	-	-	-	-	-	(205)	(205)	-	(205)
Dividends to NCI	-	-	-	-	-	-	-	(21)	(21)
Effect of acquisition under common control (refer to B.2.1)	-	-	-	-	43	32	75	(75)	-
Total transactions with owners of the Parent	-	**(816)**	-	-	**43**	**(173)**	**(946)**	**(96)**	**(1,042)**
Balance as at 31 December 2021	-	**640**	**48**	-	**114**	**12**	**814**	**72**	**886**

*In 2021, issued capital was increased from EUR 1 thousand to EUR 45 thousand.

Consolidated statement of cash flows

For the year ended 31 December, prepared using the indirect method

In millions of EUR

	Note	2022	2021
Cash flows from operating activities			
Profit before tax		273	290
Adjustments for:			
Depreciation and amortisation		326	309
Impairment losses on current and non-current assets		3	8
Profit on sale of property, plant and equipment		(1)	(1)
Loss on financial assets		2	3
Net interest expense		46	31
Net foreign currency (gains)/losses		(20)	(39)
Other non-cash items		-	(1)
Net operating cash flow before changes in working capital		**629**	**600**
Change in trade and other receivables		(24)	7
Change in trade and other payables		2	14
Change in inventories and other assets		(8)	(18)
Change in provisions		(10)	(15)
Cash generated from operating activities		**589**	**588**
Interest received		2	-
Income tax paid		(61)	(51)
Net cash from operating activities		**530**	**537**
Cash flows from investing activities			
Purchase of tangible and intangible assets		(359)	(245)
Proceeds from disposals of tangible and intangible assets		7	4
Net cash used in investing activities		**(352)**	**(241)**
Cash flows from financing activities			
Cash distribution from decrease of share premium	E10	-	(816)
Proceeds from loans due to banks and other financial institutions	E10	15	1,878
Proceeds from the issue of debt securities	E11	496	-
Payment of debt securities	E11	-	(622)
Repayment of loans due to banks and other financial institutions	E10	(510)	(450)
Net payments on settlement of derivatives		(5)	(34)
Interest paid		(17)	(16)
Interest paid from lease liabilities		(12)	(12)
Cash payments for principal portion of lease liability	E18	(54)	(53)
Cash collateral placed due to derivatives transactions		4	12
Dividends paid to shareholders		(90)	(205)
Dividends paid to NCI	E16	(5)	(21)
Net cash (used in)/from financing activities		**(178)**	**(339)**
Net increase/(decrease) in cash and cash equivalents		**-**	**(43)**
Cash and cash equivalents as at 1 January		**83**	**124**
Effect of exchange rate changes on cash and cash equivalents		(1)	2
Cash and cash equivalents as at 31 December	E9	**82**	**83**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

A. General

A.1. Description of the Group

CETIN Group N.V. (hereinafter the "Parent Company", or the "Parent"), incorporated as a limited liability company, converted to a public limited liability company and renamed on 3 September 2021 from CETIN Group B.V. The Parent has been domiciled in the Netherlands since its incorporation of 23 January 2016. As at 31 December 2022, the Parent Company is a 70% owned subsidiary of PPF Telecom Group B.V. PPF Group N.V. remains the ultimate parent of the Parent Company.

As of 31 December 2022, the ultimate controlling party was Mrs Renáta Kellnerová with a 59.358% stake. As the result of the inheritance procedures finished in September 2022, Mrs Kellnerová and four children of the late Mr Kellner are the direct and indirect holders of 98.93% of PPF Group N.V.

The consolidated financial statements of the Parent Company for the year ended 31 December 2022 comprise the Parent Company and its subsidiaries (together the "Group"). Refer to Section B of these consolidated financial statements for a list of significant Group entities and changes to the Group in 2022 and 2021.

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

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

A.2. Statement of compliance

The consolidated financial statements were authorised for issue by the board of directors on 22 March 2023.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) including the International Accounting Standards (IAS), promulgated by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB and with Section 2:362(8) and (9) of the Dutch Civil Code.

The Company has also prepared the separate financial statements for the year ended 31 December 2022, which have been prepared in accordance with IFRS-EU, including IASs, promulgated by the IASB and interpretations issued by the IFRIC of the IASB as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

A.3. Basis of measurement

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

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

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

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested semi-annually for impairment. Any gain on bargain purchase is recognised in profit or loss immediately (refer to F.1.12.1). Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

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

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

A.4. Use of judgements and estimates

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

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

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

- initial value of goodwill and its subsequent impairment testing (refer to E.6)
- useful life of tangible and intangible fixed assets;
- expected credit losses on trade receivables and contract assets (refer to F.1.7);
- the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits (refer to E.4.2);
- provisions recognised under liabilities (refer to E.13);
- contingent assets and liabilities (refer to E.19);
- revenue recognition timing in terms of the transfer of control over the goods and services to the customer – at a point in time or over time (E.1);
- assessment of the recognition principles for master service agreements between the guidance of IFRS 15 and IFRS 16 (E.1);
- lease-term for the lessee accounting if the Group is reasonably certain to exercise extension options (refer to E.17).

Useful life of fixed assets

The accounting treatment of fixed assets entails the use of estimates to determine the useful life for depreciation and amortisation purposes. Determining useful life of software, telecommunication technologies and equipment requires making estimates in connection with future technological developments and alternative uses for assets. There is a significant element of judgement involved in making technological development assumptions, since the timing and scope of future technological advances are difficult to predict. The set useful asset life is reviewed at each balance sheet date and adjusted as a change in accounting estimate if needed.

Expected credit losses on trade receivables and contract assets

Trade receivables are carried at their original amount less a bad debt allowance. The bad debt allowance is estimated according to historical experience and expected future development; and individual assessment.

Provisions and contingent assets and liabilities

For every litigation and administrative proceeding, it is necessary to estimate the occurrence probability of the liability, its amount and the moment of its occurrence. Provisions are recognised only when it is probable that the Group will be forced to pay a present obligation in the future and it is possible to reliably estimate its amount. Contingent assets and liabilities are not recognised because 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.

Mobile network services agreement

Amongst the most important contracts of the Group are mobile network services agreements as described in E.1.1. The Group evaluated these arrangements as a service contract because fulfilment of the arrangement was not dependent on the use of a specified assets.

The Group has evaluated amendments to the Mobile network services agreements (throughout these consolidated financial statements referred to as MSA) valid from 1 January 2022. No assets, from the lessor perspective, are identified under IFRS 16 from these amendments, and services provided by the Group under these amended contracts will continue being recognised in line with IFRS 15.

Lease-term for lessee accounting

A lease liability is initially measured at the present value of 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. This incremental borrowing rate used for the discounting of future lease payments is based on the current interest rate defined as a reference rate adjusted by the Group´s spread and further adjusted by lease-specific adjustments. Generally, the Group uses its incremental borrowing rate as the discount rate. The Group further assesses at the lease commencement date whether it is reasonably certain to exercise the extension options to determine the lease term. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

Right-of-use assets are depreciated in accordance with the length of the lease contract. For unlimited contracts (or contracts with a prolongation option on the Group's side), the depreciation period is determined based on the management's assessment and plans, and expected changes in technologies.

A.5. Basis of consolidation

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

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

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

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

A.6. Presentation and functional currency

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

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

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

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

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

In millions of EUR, as at 31 December 2021

	Restated	Reported
Other reserves	162	48
Retained earnings	12	126

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

B. Consolidated group and main changes for the period

B.1. Group entities

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

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

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

There were neither any acquisitions nor disposals in the year ended 31 December 2022.

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

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

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

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

In millions of EUR

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

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

C. Risk exposures, risk management objectives and procedures

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 minimise any 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 relevant treasury departments in accordance with approved policies. The board of directors provide written principles for overall risk management. In accordance with these principles, policies are in place for specific areas, such as foreign exchange risk, interest rate risk, credit risk, liquidity risk, use of derivative financial instruments, and investing excess liquidity.

C.1. 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, arising principally from the Group's trade receivables. Individual significant credit exposures to third parties are monitored by the Group's top management and board of directors on a case-by-case basis. Individual exposures are monitored and assessed, as is the Group's country and sector concentration.

Under the Group's policy, all customers wishing to trade on credit terms are subjected to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis, together with the resulting non-significant Group's exposure to bad debts.

The maximal possible credit risk arising from receivables and other financial assets equals the carrying amount of those financial instruments.

Credit risk is managed by:

- prevention: scoring of new customers – regular monitoring of customers' payment morale, activation of control procedures (integrated black-list, external credit registers, and other external information databases), limits and/or deposits applied based on customer segments or the product, collateral security (deposits, receivables insurance, bills of exchange, pledges of real estate, bank guarantees etc.).
- monitoring of accounts receivables: regular monitoring of the creditworthiness of existing customers and monitoring and analysing of the receivable aging structure (internal and external indicators of any potential bad debts). These activities are processed in an integrated system solution for the scoring, maintenance and collection of receivables.
- collection from active customers is in the competence of the accounting unit; subsequent collection is the responsibility of the treasury unit, the legal unit, and the accounting unit.

The following tables show the economic and geographic concentration of credit risk:

In millions of EUR, as at 31 December

	2022	2022	2021	2021
Economic concentration				
Corporate sector	175	68.09%	149	63.14%
Financial services	82	31.91%	87	36.86%
Total	**257**	**100.00%**	**236**	**100.00%**
Geographic concentration				
Czech Republic	139	54.09%	120	50.85%
Hungary	30	11.67%	40	16.95%
Bulgaria	30	11.67%	25	10.59%
Serbia	26	10.12%	22	9.32%
Slovakia	3	1.17%	2	0.85%
Russian Federation	-	-	2	0.85%
Other EU countries	12	4.67%	12	5.10%
Other countries	17	6.61%	13	5.49%
Total	**257**	**100.00%**	**236**	**100.00%**
Of which:				
Trade and other receivables (E.7.1)	169	65.75%	147	62.29%
Cash and cash equivalents (E.9)	82	31.91%	83	35.17%
Provided guarantees (E.19)	4	1.56%	-	-
Specific deposits and other specific receivables (E.8)	2	0.78%	2	0.85%
Receivables due from banks	-	-	4	1.69%
Total	**257**	**100.00%**	**236**	**100.00%**

The amounts in the tables represent the maximum accounting loss that would be recognised at the reporting date if the counterparties failed completely to meet their obligations and all collateral or security proved to be of no value. The amounts, therefore, exceed the expected losses that are included in the allowance for collectability.

Trade and other receivables

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 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.

The following table provides information about the exposure to credit risk and ECLs for trade receivables from individual customers using the provision matrix as at 31 December 2022 and the comparative period.

In millions of EUR, as at 31 December 2022

	Weighted-average loss rate	Gross amount	Loss allowance	Carrying amount	Credit-impaired
Current (not past due)	0.6%	160	(1)	159	No
1-90 days	0.0%	9	-	9	No
91-180 days	0.0%	1	-	1	Yes
more than 180 days past due	100.0%	2	(2)	-	Yes
Total	**-**	**172**	**(3)**	**169**	

In millions of EUR, as at 31 December 2021

	Weighted-average loss rate	Gross amount	Loss allowance	Carrying amount	Credit-impaired
Current (not past due)	0.7%	137	(1)	136	No
1-90 days	0.0%	8	-	8	No
91-180 days	0.0%	1	-	1	Yes
more than 180 days past due	50.0%	4	(2)	2	Yes
Total	**-**	**150**	**(3)**	**147**	

C.2. Liquidity risk

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

The Group collects information from business units and holding companies regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. A portfolio of short-term liquid assets is maintained to ensure sufficient liquidity. The daily liquidity position is monitored, and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. The individual scenarios focus on liquidity available on specific markets and facilities, the nature of the related risks and the magnitude of their impact on the Group's business, available management tools and preventive actions.

The Group particularly focuses on its liquidity profile within the time horizon of the next 12-24 months, considering projected cash flow from operations and the maturity structure of both debt obligations and financial investments.

The following tables show exposure to liquidity risk (discounted view) as at 31 December 2022:

In millions of EUR, as at 31 December 2022

	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Trade and other receivables*	168	1	2	-	-	171
Cash and cash equivalents	82	-	-	-	-	82
Total financial assets	**250**	**1**	**2**	**-**	**-**	**253**

*including specific deposits and other specific receivables

In millions of EUR, as at 31 December 2022

	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Debt securities issued	-	213	-	496	-	709
Due to banks	2	-	-	948	-	950
Trade and other payables*	229	95	2	1	-	327
Lease liabilities	16	43	57	158	80	354
Total financial liabilities	**247**	**351**	**59**	**1,603**	**80**	**2,340**

*excluding tax, wages and salaries and other non-financial liabilities

Net liquidity position 2022	**3**	**(350)**	**(57)**	**(1,603)**	**(80)**	**(2,087)**

As at 31 December 2022, the Group had undrawn committed revolving facility of EUR 200 million, which serves as a liquidity back-up for CETIN CZ's bond maturing in December 2023 (refer also to E.10).

The following tables show exposure to liquidity risk (discounted view) as at 31 December 2021:

In millions of EUR, as at 31 December 2021

	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Receivables due from banks	4	-	-	-	-	4
Trade and other receivables*	146	1	2	-	-	149
Cash and cash equivalents	83	-	-	-	-	83
Total financial assets	**233**	**1**	**2**	**-**	**-**	**236**

*including specific deposits and other specific receivables

In millions of EUR, as at 31 December 2021

	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Debt securities issued	-	-	195	-	-	195
Financial liabilities at FVTPL	3	-	-	-	-	3
Due to banks	1	296	-	1,146	-	1,443
Trade and other payables*	213	92	1	1	-	307
Lease liabilities	16	44	59	161	85	365
Total financial liabilities	**233**	**432**	**255**	**1,308**	**85**	**2,313**

*excluding tax, wages and salaries and other non-financial liabilities

Net liquidity position 2021	**-**	**(431)**	**(253)**	**(1,308)**	**(85)**	**(2,077)**

The following tables show the residual maturities of liabilities on an undiscounted cash flow basis. Listed are only liability items for which the total estimated undiscounted cash flows differ from the book values shown in the consolidated statement of the financial position:

In millions of EUR, as at 31 December 2022

	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Debt securities issued	15	227	16	531	-	789
Due to banks and other fin. inst.	12	23	30	1,001	-	1,066
Trade and other payables	229	95	2	1	-	327
Lease liabilities	19	51	66	177	95	408
Provided guarantees	-	1	3	-	-	4
Total	**275**	**397**	**117**	**1,710**	**95**	**2,594**

In millions of EUR, as at 31 December 2021

	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Debt securities issued	-	2	198	-	-	200
Due to banks and other fin. inst.	7	307	13	1,183	-	1,510
Trade and other payables	213	92	1	1	-	307
Lease liabilities	19	51	67	180	102	419
Total	**239**	**452**	**279**	**1,364**	**102**	**2,436**

C.3. Market risk

Market risk is the risk that changes in market rates such as interest rates or foreign exchange rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage market risk exposure and keep it within acceptable limits.

C.3.1. Interest rate risk

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

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

The Group is exposed to interest rate risk arising from floating, interest-rate-bearing cash investments and some debt instruments with a floating interest rate. Considering the derivative hedging instruments, an interest rate sensitivity analysis showed that the impact of a yield-curve movement by a hypothetical one percentage point on the Group's equity would be immaterial.

The tables below summarise the interest rate repricing gap of the Group's financial assets and liabilities as at the reporting date. The carrying amounts of interest-rate-sensitive assets and liabilities and the notional amounts of swaps and other derivative financial instruments are presented in the periods in which they mature or in which the interest rates will next be fixed. To reflect anticipated prepayments, certain asset and liability categories are included in the table based on estimated rather than contractual maturity dates. Items are allocated to time bands by reference to the earlier of the next contractual interest rate repricing date and the expected maturity date.

The following tables present an analysis of the interest rate gap position:

In millions of EUR, as at 31 December 2022

	Effective interest rate	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Trade and other receivables*	-	168	1	2	-	-	171
Cash and cash equivalents	-	82	-	-	-	-	82
Total financial assets		**250**	**1**	**2**	**-**	**-**	**253**

*including specific deposits and other specific receivables

In millions of EUR, as at 31 December 2022

	Effective interest rate	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Debt securities issued	2.59%	-	213	-	496	-	709
Due to banks	3.13%	950	-	-	-	-	950
Trade and other payables*	-	229	95	2	1	-	327
Lease liabilities	4.61%	16	43	57	158	80	354
Total financial liabilities		**1,195**	**351**	**59**	**655**	**80**	**2,340**

*excluding tax, wages and salaries and other non-financial liabilities

Net position 2022	**(945)**	**(350)**	**(57)**	**(655)**	**(80)**	**(2,087)**

In millions of EUR, as at 31 December 2021

	Effective interest rate	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Receivables due from banks	-	4	-	-	-	-	4
Trade and other receivables*	-	146	1	2	-	-	149
Cash and cash equivalents	-	83	-	-	-	-	83
Total financial assets		**233**	**1**	**2**	**-**	**-**	**236**

*including specific deposits and other specific receivables

In millions of EUR, as at 31 December 2021

	Effective interest rate	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Debt securities issued	1.25%	-	-	195	-	-	195
Due to banks	1.07%	1,443	-	-	-	-	1,443
Trade and other payables*	-	213	92	1	1	-	307
Lease liabilities	2.55%	16	44	59	161	85	365
Total financial liabilities		**1,672**	**136**	**255**	**162**	**85**	**2,310**

*excluding tax, wages and salaries and other non-financial liabilities

Net position 2021	**(1,439)**	**(135)**	**(253)**	**(162)**	**(85)**	**(2,074)**

C.3.2. Currency risk

The Group is exposed to currency risk through transactions in foreign currencies and assets and liabilities denominated in foreign currencies. Foreign currency risk arises when the actual or forecast assets denominated in a given foreign currency are either greater or less than the liabilities denominated in that currency. It is the Group's policy to hedge such mismatches with derivative financial instruments to eliminate the foreign currency exposure.

The Group's main foreign exposures are to the countries in which the Group operates. Its exposures are measured mainly in Czech crowns, Hungarian forints, Bulgarian levs and Serbian dinars. As the currency in which the Group presents its the consolidated financial statements is the euro, movements in the exchange rates between these currencies and the euro affecting the Group's consolidated financial statements are presented as part of a translation reserve in other comprehensive income. Net investments in foreign operations are not hedged.

The following table summarises the Group's exposure in individual countries and respective local functional currencies. Any exposure in the individual country other than in its local functional currency is excluded.

In millions of EUR, as at 31 December 2022

	EUR	CZK	HUF	BGN	RSD	Total
Net investment in foreign operations	(1,420)	1,665	304	265	288	1,102

In millions of EUR, as at 31 December 2021

	EUR	CZK	HUF	BGN	RSD	Total
Net investment in foreign operations	-	1,605	300	230	279	2,414

The Group's transactional exposures give rise to foreign currency gains and losses that are recognised in the consolidated statement of income. These exposures comprise the monetary assets and monetary liabilities of the Group entities that are not denominated in the functional currency of the respective Group entity. In respect of monetary assets and liabilities in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying and selling foreign currencies at spot rates when considered appropriate, or through short-term FX trades.

The Group entities' foreign currency largest exposures are for financial assets and financial liabilities, meaning the exposures in currencies different from the entities' functional currencies:

In millions of EUR, as at 31 December 2022

	EUR	USD	Total
Financial assets	37	11	48
Financial liabilities	117	16	133
Effect of FX derivatives	-	-	-
Net FX position	**(80)**	**(5)**	**(85)**

In millions of EUR, as at 31 December 2021

	EUR	USD	Total
Financial assets	48	16	64
Financial liabilities	1,572	19	1,591
Effect of FX derivatives	7	-	7
Net FX position	**(1,517)**	**(3)**	**(1,520)**

The following tables present an analysis of the sensitivity of the Group’s equity to changes in currency exchange rates based on positions existing as at 31 December 2022 and 2021 and a simplified scenario of a 5% change in CZK, HUF, BGN and RSD to EUR exchange rates:

In millions of EUR

	CZK	HUF	BGN	RSD
Effect of 5% currency depreciation against EUR in 2022	(83)	(15)	(13)	(14)
Effect of 5% currency appreciation against EUR in 2022	83	15	13	14
Effect of 5% currency depreciation against EUR in 2021	(80)	(15)	(12)	(14)
Effect of 5% currency appreciation against EUR in 2021	80	15	12	14

C.3.3. Hedging

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

The Group's objective is to maintain an appropriate mix of debt with fixed and floating interest rates in line with the risk management concept, refer to C.3.1.

As at 31 December 2022 and 2021, the Group did not apply hedge accounting to any derivative instruments.

C.4. Fair value of financial assets and liabilities

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

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

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

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

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

As at 31 December 2021, the Group presented cross-currency interest rate swap contracts as Level 2 financial instruments measured at fair value. The fair value of derivative financial instruments is calculated based on discounted cash flow models (using market rates). As at 31 December 2022, the Group did not hold any derivative instruments at fair values.

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

In millions of EUR

	2022 Carrying amount	2022 Fair value	2021 Carrying amount	2021 Fair value
Debt securities issued (Level 2)	709	649	195	185

C.5. Capital management

For the purposes of the Group's capital management, capital includes issued share capital, share premium and all other equity reserves attributable to the equity holders of the Parent. The primary objective of the Group's capital management is to maximise the shareholder value while maintaining investor, creditor and market confidence, and being able to sustain the future development of the business as well as keep being in compliance with the bank financing covenants at the Group level.

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

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

C.6. Offsetting financial assets and liabilities

The Group's derivative transactions are predominantly entered into under International Swaps and Derivatives Association (ISDA) master netting agreements. If certain agreed events of default or termination events occur, all outstanding transactions under the agreements may be unilaterally terminated. The termination value is determined and only a single net amount is payable by one party to the other.

ISDA master netting agreements and similar master netting arrangements do not meet the criteria for offsetting in the consolidated statement of financial position. Therefore, as at 31 December 2021, the reported balances of fair values of outstanding derivative transactions of negative EUR 3 million (2021: negative EUR 3 million) did not include any offset amounts. As at 31 December 2022, the Group did not held any derivative instruments.

D. Segment reporting

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

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

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

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

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

The total segment revenue for the year ended 31 December 2022 amounting to EUR 1,108 million (2021: EUR 1,036 million) represents revenues from external customers as presented in the consolidated statement of income under revenue caption.

The Group is reliant on several major customers, that are fixed and mobile telecommunication operators owned by the PPF Telecom Group B.V., direct parent of CETIN Group N.V. For the period ending 31 December 2022, revenues from these customers represent approximately 69% of revenues reported in total for all segments (2021: 69% of revenues reported in total for all segments).

In millions of EUR

2022	CETIN CZ	CETIN Hungary	CETIN Bulgaria	CETIN Serbia	Unallocated	Eliminations	**Consolidated**
Revenue from external customers	757	131	120	100	-	-	1,108
Inter-segment revenue	6	-	4	3	-	(13)	-
Total revenue	**763**	**131**	**124**	**103**	**-**	**(13)**	**1,108**
Major service/products lines:							
Mobile service revenues	241	131	114	97	-	(4)	579
Contracted MSA/MOSA fee from anchor tenants	217	127	111	93	-	(4)	544
Contracted revenue from third-party tenants	20	4	-	-	-	-	24
Other non-contracted mobile revenue	4	-	3	4	-	-	11
Fixed broadband service revenues	187	-	-	2	-	-	189
Other fixed and domestic service revenues	118	-	-	4	-	(1)	121
Domestic revenue	546	131	114	103	-	(5)	889
International transit revenue	217	-	10	-	-	(8)	219
Total revenue	**763**	**131**	**124**	**103**	**-**	**(13)**	**1,108**
Other income from non-telecommunication services	5	-	9	-	-	-	14
Operating expenses	(393)	(35)	(49)	(25)	(2)	13	(491)
Operating profit excluding depreciation, amortisation and impairments	**375**	**96**	**84**	**78**	**(2)**	**-**	**631**
Depreciation on PPE	(167)	(21)	(26)	(22)	-	-	(236)
Depreciation on lease-related ROU	(30)	(12)	(8)	(9)	-	-	(59)
Amortisation of intangible assets	(25)	(2)	(2)	(2)	-	-	(31)
Impairment loss	(1)	(2)	-	-	-	-	(3)
Operating profit	**152**	**59**	**48**	**45**	**(2)**	**-**	**302**
Interest income	1	1	-	-	12	(12)	2
Interest expense on lease liability	(7)	(3)	(1)	(2)	-	-	(13)
Other interest expense	(16)	(1)	-	(1)	(29)	12	(35)
Other finance income/(cost)	(2)	-	-	-	(1)	-	(3)
Net foreign currency gains/(losses)	20	(1)	-	-	1	-	20
Profit for the period before tax	**148**	**55**	**47**	**42**	**(19)**	**-**	**273**
Income tax expense	(30)	(8)	(4)	(6)	(1)	-	(49)
Profit for the period	**118**	**47**	**43**	**36**	**(20)**	**-**	**224**
Capital expenditure	223	61	51	34	-	-	369
Segment assets	2,571	410	352	366	677	(643)	3,733
Segment liabilities	1,595	133	97	77	1,458	(643)	2,717
Segment equity	**976**	**277**	**255**	**289**	**(781)**	**-**	**1,016**

In millions of EUR

2021	CETIN CZ	CETIN Hungary	CETIN Bulgaria	CETIN Serbia	Unallocated	Eliminations	**Consolidated**
Revenue from external customers	703	128	109	96	-	-	1,036
Inter-segment revenue	6	-	4	2	-	(12)	-
Total revenue	**709**	**128**	**113**	**98**	**-**	**(12)**	**1,036**
Major service/products lines:							
Mobile service revenues	204	128	102	94	-	(3)	525
Contracted MSA/MOSA fee from anchor tenants	183	126	100	91	-	(3)	497
Contracted revenue from third-party tenants	17	2	-	-	-	-	19
Other non-contracted mobile revenue	4	-	2	3	-	-	9
Fixed broadband service revenues	175	-	-	2	-	-	177
Other fixed and domestic service revenues	97	-	1	2	-	-	100
Domestic revenue	476	128	103	98	-	(3)	802
International transit revenue	233	-	10	-	-	(9)	234
Total revenue	**709**	**128**	**113**	**98**	**-**	**(12)**	**1,036**
Other income from non-telecommunication services	12	-	1	-	-	(3)	10
Operating expenses	(374)	(28)	(35)	(21)	(1)	15	(444)
Operating profit excluding depreciation, amortisation and impairments	**347**	**100**	**79**	**77**	**(1)**	**-**	**602**
Depreciation on PPE	(162)	(18)	(26)	(22)	-	-	(228)
Depreciation on lease-related ROU	(29)	(12)	(8)	(9)	-	-	(58)
Amortisation of intangible assets	(18)	(2)	(2)	(1)	-	-	(23)
Impairment loss	(6)	-	-	-	(2)	-	(8)
Operating profit	**132**	**68**	**43**	**45**	**(3)**	**-**	**285**
Interest income	-	-	-	-	1	(1)	-
Interest expense on lease liability	(5)	(3)	(1)	(2)	-	-	(11)
Other interest expense	(17)	-	-	-	(4)	1	(20)
Other finance income/(cost)	(2)	-	-	-	(1)	-	(3)
Net foreign currency gains/(losses)	20	(1)	-	-	20	-	39
Profit for the period before tax	**128**	**64**	**42**	**43**	**13**	**-**	**290**
Income tax expense	(26)	(8)	(4)	(7)	(3)	-	(48)
Profit for the period	**102**	**56**	**38**	**36**	**10**	**-**	**242**
Capital expenditure	185	44	49	21	-	-	299
Segment assets	2,483	424	324	357	628	(628)	3,588
Segment liabilities	1,578	135	96	78	1,443	(628)	2,702
Segment equity	**905**	**289**	**228**	**279**	**(815)**	**-**	**886**

E. Notes to the consolidated financial statements

E.1. Revenue

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

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

In millions of EUR, for the year ended 31 December

	2022	2021
Domestic revenue	889	802
International transit revenue	219	234
Total	**1,108**	**1,036**

Detail split of domestic revenues:

In millions of EUR, for the year ended 31 December

	2022	2021
Mobile service revenues	579	525
Committed MSA/MOSA revenues from anchor tenants	544	497
Committed from third-party tenants	24	19
Other non-committed mobile revenue	11	9
Fixed broadband service revenues	189	177
Other fixed and domestic service revenues	121	100
Total domestic revenues	**889**	**802**

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

A significant part of the Group's revenues is generated from the standard operations with the Group's related parties (refer E.20.1).

The following table includes revenues which are expected by the Group to be recognised in the future. These are revenues related to performance obligations that are unsatisfied (or partially unsatisfied):

In millions of EUR

	31 December 2022	31 December 2021 (restated)*
Within 1 year	12	11
Between 1 and 2 years	12	11
Between 2 and 5 years	26	28
More than 5 years	26	30
Transaction price on performance obligations yet to be satisfied	**76**	**80**

*In 2022, the Group re-evaluated the relevance of selected contracts with customers to be presented as the transaction price on performance obligations yet to be satisfied with respect to practical expedients in IFRS 15 being applied by the Group in all periods presented as described in the below paragraph. The Group concluded that MSA and MOSA contracts with its main customers (refer to E.20.1) are covered by these practical expedients. Thus, they are not subject to being disclosed within the transaction price on performance obligations yet to be satisfied. Therefore, these revenues are not included in the figures in the above table. The comparative figures for 2021 were restated accordingly.

The Group applies the practical expedient of the standard and discloses in the table above neither information about contracted revenues with originally expected term of contract one year or less, nor contracted revenues for which the expected revenues are recognised in the amount corresponding to the right to invoice.

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

E.1.2. Revenue from telco business – geographical markets

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

In millions of EUR, for the year ended 31 December

	2022	2021 (restated)*
Services/products transferred over time	1,108	1,036
Czech Republic	543	482
Hungary	135	131
Bulgaria	121	110
Serbia	111	104
Germany	28	25
Slovakia	17	15
Switzerland	4	5
Other EU countries	72	52
Other Non-EU countries	77	112

* In 2022, the Group re-evaluated the presentation of revenues realised in Great Britain and concluded its presentation in Other Non-EU countries category as more appropriate (compared to its previous presentation in Other EU countries category). The comparative figures for 2021 were restated accordingly.

E.2. Personnel expenses and operating expenses

In millions of EUR, for the year ended 31 December

	2022	2021
Employee compensation	50	44
Payroll related taxes	27	23
Total personnel expenses	**77**	**67**
Transit cost of sales	206	220
Other cost of sales	18	15
Utilities	96	55
Network&IT maintenance	38	35
Rentals, buildings and vehicles	16	16
Professional services	9	9
Advertising and marketing	4	4
Taxes other than income tax	2	2
Telecommunication and postage	1	1
Other	24	20
Total other operating expense	**414**	**377**

The average number of employees during 2022 was 2,983 (2021: 2,923).

E.3. Other finance costs

In 2022, other finance cost represents net loss on financial assets amounting to EUR 2 million (2021: EUR 2 million) and fee and commission expense amount to EUR 1 million (2021: EUR 1 million).

E.4. Income taxes

E.4.1. Income tax expense

Income tax expense comprises the following:

In millions of EUR, for the year ended 31 December

	2022	2021
Current tax expense	(56)	(55)
Deferred tax expense	7	7
Total income tax expense	**(49)**	**(48)**

The following table reconciles the tax expense:

In millions of EUR, for the year ended 31 December

	2022	2021
Tax rate (see the below paragraph for further reference)	25.8%	25%
Profit from continuing operations (before taxation)	273	290
Computed taxation using applicable tax rate	(71)	(72)
Tax non-deductible expenses	(7)	(5)
Non-taxable income	-	3
Tax rate differences on foreign results	31	29
Utilised tax loss for which no deferred tax was previously recognised	-	3
Items taxed at different tax rate (e.g. withholding tax)	(1)	(2)
Other	(1)	(4)
Total income tax expense	**(49)**	**(48)**

The Company is subject to corporate income tax in the Netherlands at an income tax rate of 25.8%. The Company's subsidiaries are also subject to corporate income tax laws in the respective jurisdictions where the Group operates, with corporate income tax rates ranging from 9% in Hungary to 19% in the Czech Republic.

E.4.2. Deferred tax

The table below shows the roll-forward of net deferred taxes:

In millions of EUR, for the year ended 31 December

	2022	2021
Net deferred tax liability as at 1 January	(235)	(230)
Deferred tax benefit for the period	7	7
Effects of movements in exchange rates	(7)	(12)
Net deferred tax liability as at 31 December	**(235)**	**(235)**

Recognised deferred tax assets and liabilities were as follows:

In millions of EUR

	31 Dec. 2022 Deferred tax liabilities	31 Dec. 2022 Deferred tax assets	31 Dec. 2021 Deferred tax liabilities	31 Dec. 2021 Deferred tax assets
Property, plant and equipment	(255)	1	(250)	1
Intangible assets	-	-	(5)	-
Other assets	-	-	-	1
Lease liabilities	-	13	-	12
Provisions	-	3	-	5
Contract liabilities	-	1	-	-
Other temporary differences	-	2	-	1
Deferred tax assets/(liabilities)	**(255)**	**20**	**(255)**	**20**
Net deferred tax assets/(liabilities)	**(238)**	**3**	**(237)**	**2**

E.4.3. Tax losses

As at 31 December 2022, the Group incurred tax losses from recent years of EUR 25 million (2021: EUR 26 million), available to be carried forward and off-set against future taxable income. To the extent that it is not considered likely that taxable profits will be available against which the unused tax losses can be utilised, the deferred tax assets are not recognised. The unrecognised deferred tax assets amount to EUR 6 million (2021: EUR 7 million). The unutilised tax losses can be claimed for the unlimited period in the Netherlands without expiring due to a change in legislation in 2022.

In millions of EUR

	31 December 2022	31 December 2021
2023	-	-
2024	-	5
2025	-	21
Unlimited	25	-
Total	**25**	**26**

E.5. Property, plant and equipment

The following table shows the roll-forward of property, plant and equipment:

In millions of EUR, for the year ended 31 December 2022

	Land and buildings	Ducts, cables and related plant	Telecom. technology and related equipment	Other tangible assets and equipment	Construction in progress	Total
Cost	292	1,891	1,138	110	158	3,589
Accumulated depreciation and impairment	(102)	(609)	(586)	(34)	(8)	(1,339)
Carrying amount as at 1 January 2022	**190**	**1,282**	**552**	**76**	**150**	**2,250**
Additions	6	41	140	15	111	313
Disposal	(1)	-	(4)	-	(1)	(6)
Transfers	3	16	50	2	(71)	-
Depreciation charge	(11)	(78)	(138)	(9)	-	(236)
Impairment charge	-	-	(2)	-	(1)	(3)
Effects of movements in exchange rates	6	39	4	(2)	1	48
Carrying amount as at 31 December 2022	**193**	**1,300**	**602**	**82**	**189**	**2,366**
Cost	306	2,007	1,282	123	195	3,913
Accumulated depreciation and impairment	(113)	(707)	(680)	(41)	(6)	(1,547)

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

	Land and buildings	Ducts, cables and related plant	Telecom. technology and related equipment	Other tangible assets and equipment	Construction in progress	Total
Cost	273	1,741	989	102	104	3,209
Accumulated depreciation and impairment	(87)	(507)	(460)	(28)	(4)	(1,086)
Carrying amount as at 1 January 2021	**186**	**1,234**	**529**	**74**	**100**	**2,123**
Additions	4	39	113	10	99	265
Disposal	-	-	(2)	-	-	(2)
Transfers	3	15	28	1	(47)	-
Depreciation charge	(12)	(75)	(132)	(9)	-	(228)
Impairment charge	-	-	-	-	(6)	(6)
Effects of movements in exchange rates	9	69	16	-	4	98
Carrying amount as at 31 December 2021	**190**	**1,282**	**552**	**76**	**150**	**2,250**
Cost	292	1,891	1,138	110	158	3,589
Accumulated depreciation and impairment	(102)	(609)	(586)	(34)	(8)	(1,339)

In both periods, the most significant additions of PPE relate to the construction and modernisation of a mobile telecommunication infrastructure mainly in the Czech Republic (related radio network modernisation and roll-out of 5G and continuous investments into a fixed network), Hungary (radio network modernisation and roll-out of 5G) and Bulgaria (roll-out of 5G).

No property, plant and equipment were pledged as at 31 December 2022 and 31 December 2021.

The CETIN CZ has concluded contracts with T-Mobile Czech Republic a.s. related to sharing of mobile networks. The companies provide services to each other that relate to sharing of active and passive 2G and 3G network elements, and 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 the network sharing are reported in net value as the services provided within the project are of the same nature.

E.6. Goodwill and other intangible assets

Intangible assets comprise the following:

In millions of EUR

	31 December 2022	31 December 2021
Goodwill	579	589
Software	93	73
Other intangible assets	26	22
Work in progress	9	5
Total intangible assets (incl. goodwill)	**707**	**689**

Work in progress represents acquired intangible fixed assets not yet put in use during the same reporting period. It comprises mainly software.

E.6.1. Goodwill

Goodwill is allocated to individual CGUs as follows:

In millions of EUR

	31 December 2022	31 December 2021
CETIN CZ	117	114
CETIN Hungary	169	183
CETIN Bulgaria	104	104
CETIN Serbia	189	188
Total goodwill*	**579**	**589**

*The changes in values of goodwill are affected by changes in the translation FX rates.

Goodwill is tested semi-annually for impairment. A reasonably possible change in the key assumptions on which management bases its determination of the recoverable amounts would not result in CETIN CZ, CETIN Hungary, CETIN Bulgaria and CETIN Serbia carrying amounts being higher than their recoverable amounts.

The impairment test involves determining cash-generating unit's recoverable amount, corresponding to the value in use. Value in use is the present value of the future cash flows expected to be derived from the CGU. CETIN CZ, Hungary, Bulgaria and Serbia businesses represent operating companies in the Czech Republic, Hungary, Bulgaria, and Serbia, respectively, and were identified as individual CGUs for the purposes of the impairment testing.

Value in use is determined in an enterprise valuation model and assessed from a group-internal perspective. Value in use is derived from the medium-term forecast for a period of seven years (for 2023 to 2029), prepared by the management as the most recent one at the time of the impairment test. Management believes that use of longer than usual 5 years forecast of future cashflows is sufficiently reliable as Group has long term contracts with Group's main customers (e.g., MSA and MOSA contracts). The medium-term forecast is based on the past experience as well as on future market trends. Further, the medium-term forecast is based on general economic data derived from macroeconomic and financial studies. The key assumptions on which management bases its business plan and growth rates include trends in the gross domestic product, interest rates, nominal wages, capital expenditures, market share, growth rates, and discount rates.

The calculations of value in use for CGU are most sensitive to the following assumptions:

Estimated growth rate in terminal value – forecasts of the market and regulatory environment in which the company conducts its principal business, as well as the investment life cycle, are the basis for determining the value assigned to the estimated growth rate. A growth rate of 2.0% is used.

Discount rate – this reflects the Group's estimate of the risk and related expected return. The weighted average cost of capital forms the basis for the determination of the discount rate. Relevant data taken from independent financial analyses as a benchmark for the weighted average cost of capital is used to determine the discount rate. The resulting discount rate and its effect on value in use are tested for sensitivity. The current methodology used as of 31 December 2022 will be subject to regular reassessments and potential adjustments. The pre-tax discount rates applied for the respective CGUs are as follows:

	31 December 2022	31 December 2021
CETIN CZ	7.5%	9.5%
CETIN Hungary	12.1%	11.3%
CETIN Bulgaria	7.8%	8.1%
CETIN Serbia	14.5%	11.5%

The discounted cash flow valuation is supported by a valuation using the market approach based on publicly traded peer companies. The multiple of enterprise value (EV) to earnings before interest, taxes, depreciation and amortisation (EBITDA) was selected as the most suitable multiple, as EBITDA is considered to be the closest approximate of free cash flow. The value estimates draw on EV/EBITDA multiples based on market data as at the valuation date and the EBITDA of publicly traded peer companies for 2022. Additionally, the EV/Sales multiple is considered as well.

E.6.2. Other intangible assets

The following table shows the roll-forward of the remaining categories of intangible assets:

In millions of EUR, for the year ended 31 December 2022

	Software	Other intangible assets	Work in progress	Total
Cost	178	27	5	210
Accumulated depreciation and impairment	(105)	(5)	-	(110)
Carrying amount as at 1 January 2022	**73**	**22**	**5**	**100**
Additions	44	6	6	56
Transfers	1	1	(2)	-
Amortisation charge	(28)	(3)	-	(31)
Effects of movements in exchange rates	3	-	-	3
Carrying amount as at 31 December 2022	**93**	**26**	**9**	**128**
Cost	227	33	9	269
Accumulated amortisation and impairment losses	(134)	(7)	-	(141)

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

	Software	Other intangible assets	Work in progress	Total
Cost	140	24	6	170
Accumulated depreciation and impairment	(82)	(3)	-	(85)
Carrying amount as at 1 January 2021	**58**	**21**	**6**	**85**
Additions	29	2	3	34
Transfers	3	1	(4)	-
Amortisation charge	(20)	(3)	-	(23)
Effects of movements in exchange rates	3	1	-	4
Carrying amount as at 31 December 2021	**73**	**22**	**5**	**100**
Cost	178	27	5	210
Accumulated amortisation and impairment losses	(105)	(5)	-	(110)

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

Financial assets comprise the following:

In millions of EUR

	31 December 2022	31 December 2021
Receivables due from banks*	-	4
Trade and other receivables	169	147
Current	**169**	**151**
Total financial assets	**169**	**151**

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

E.7.1. Trade and other receivables

Trade and other receivables comprise the following:

In millions of EUR

	31 December 2022	31 December 2021
Trade receivables	134	128
Accrued income	38	22
Subtotal (gross) - current	**172**	**150**
Individual allowances for impairment on trade and other receivables	(3)	(3)
Subtotal (net) - current	**169**	**147**
Carrying amount trade and other receivables - total	**169**	**147**

The movements in the allowance for impairment in respect of trade and other receivables during the year were as follows:

In millions of EUR, for the year ended 31 December

	2022	2021
Balance as at 1 January	3	4
Net impairment losses/(reversals) recognised in statement of income	-	(1)
Balance as at 31 December	**3**	**3**

E.8. Other assets

Other assets comprise the following:

In millions of EUR

	31 December 2022	31 December 2021
Deferred expenses and advances	19	19
Specific deposits and other specific receivables	2	2
Other assets	-	2
Non-current	**21**	**23**
Deferred expenses and advances	25	20
Other tax receivables	8	8
Other	1	-
Current	**34**	**28**
Total other assets	**55**	**51**

E.9. Cash and cash equivalents

As at 31 December 2022, cash and cash equivalents comprised current accounts at banks of EUR 82 million (2021: EUR 83 million).

No cash and cash equivalents were pledged as at 31 December 2022 and 2021.

E.10. Due to banks

In August 2021, the Parent Company became a party to a term and revolving facilities agreement with a syndicate of banks. The Parent Company then utilised bridge, term, and incremental term loan facilities amounting to EUR 1,450 million in aggregate, which also remained outstanding as at 31 December 2021. Entering these facilities represented steps in the financing optimisation procedure the Parent Company and its sole shareholder PPF Telecom Group B.V. performed during autumn 2021. Under this financing optimisation procedure, the Parent Company's share premium was decreased by EUR 816 million. All proceeds from this decrease were used to settle a part of PPF Telecom Group B.V.'s own loan facilities.

In April 2022, CETIN Group N.V. issued senior notes with the total nominal amount of EUR 500 million (refer to E.11) and used the proceeds to prepay the bridge (in full) and term loans. Consequently, the outstanding principal amounts of the loans as at 31 December 2022 were EUR 511 million for the term loan and EUR 444 million for the incremental term loan. The actual amount of outstanding loan liabilities stated in the consolidated statement of financial position is lower by unamortised fees and other transaction costs directly attributable to the origination of the loan facilities. These fees were capitalised and are amortised to finance costs using the effective interest rate method. These loan facilities are unsecured.

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

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

Parameters of EUR-denominated loan facilities borrowed by the Parent Company and outstanding as at 31 December 2022:

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

E.11. Debt securities issued

Debt securities (all unsecured) issued comprise the following:

In millions of EUR

	Date of issue	Maturity	Fixed rate	31 December 2022	31 December 2021
Bond (CZK 4,866 million)*	2016	2023	1.25%	202	195
Bond (EUR 500 million)	2022	2027	3.13%	507	-
Total debt securities issued				**709**	**195**

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

In April 2022, the Parent Company established EUR 2,000 million Euro medium term note programme under which it issued senior notes with the total nominal amount of EUR 500 million. CETIN Group N.V. used the bond proceeds to repay its outstanding bank loans (refer to E.10).

E.12. Trade and other payables

Trade and other payables comprise the following:

In millions of EUR

	31 December 2022	31 December 2021
Settlements with suppliers	2	2
Advances received	1	1
Defined benefit obligation	1	1
Contract liabilities	58	57
Non-current	**62**	**61**
Settlements with suppliers	283	268
Accrued expense	38	34
Wages and salaries	13	13
Contract liabilities	13	14
Social security and health insurance	5	4
Other tax payables	3	1
Deferred income and prepayments	1	1
Other liabilities	4	3
Current	**360**	**338**
Total trade and other payables	**422**	**399**

Significant changes in the contract liabilities balances during the period are as follows:

In millions of EUR, for the year ended 31 December

	2022	2021
Balance as at 1 January	71	74
Revenue recognised that was included in the contract liability balance at the beginning of the period	(13)	(14)
Increase due to cash received, excluding amounts recognised as revenue during the period	10	7
Effects of movements in exchange rates	3	4
Balance as at 31 December	**71**	**71**

E.13. Provisions

Provisions comprise the following:

In millions of EUR

	31 December 2022	31 December 2021
Fixed asset retirement obligation	31	43
Other provisions	1	1
Non-current	**32**	**44**
Provision for restructuring	2	3
Other provisions	3	2
Current	**5**	**5**
Total provisions	**37**	**49**

In millions of EUR, for the year ended 31 December 2022

	Fixed asset retirement obligation	Provision for restructuring	Other	Total
Balance as at 1 January 2022	**43**	**3**	**3**	**49**
Provisions created during the year	3	-	3	6
Provisions used during the year	(3)	(1)	(2)	(6)
Provisions released during the year	(11)	-	-	(11)
Effect of movements in exchange rates	(1)	-	-	(1)
Balance as at 31 December 2022	**31**	**2**	**4**	**37**
Non-current	31	-	1	32
Current	-	2	3	5

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

	Fixed asset retirement obligation	Provision for restructuring	Other	Total
Balance as at 1 January 2021	**57**	**4**	**3**	**64**
Provisions created during the year	1	-	-	1
Provisions used during the year	-	(1)	-	(1)
Provisions released during the year	(16)	-	-	(16)
Effect of movements in exchange rates	1	-	-	1
Balance as at 31 December 2021	**43**	**3**	**3**	**49**
Non-current	43	-	1	44
Current	-	3	2	5

As at 31 December 2022, the Group recognised a provision for the estimated cost of dismantling and removing assets and restoring sites of EUR 31 million (2021: EUR 43 million). The amount of the provision is affected by the change in the estimate of the present value of the future costs of dismantling, removing of assets and restoring sites in connection with network construction. Scenarios of future costs based on management estimations, market prices, and historical costs were discounted to their present value. Discount rates are paired with the expected dates of any future dismantling and removing of assets.

E.14. Issued capital, share premium

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

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

The share premium is the amount received by the Parent Company in the excess of the par value of its shares. As at 31 December 2022, the share premium amounted to EUR 693 million (2021: EUR 640 million). The change in EUR value relates to the change in the Parent Company's functional currency (refer to A.6 and the consolidated statement of changes in equity). The share premium is freely distributable. For more details on the decrease of the share premium during 2021 refer to E.10.

During 2022, the Parent Company paid dividends totalling EUR 90 million (2021: EUR 205 million).

E.15. Reserves

E.15.1. Other reserves

The other reserves represent other capital funds resulting from historical demerger of CETIN CZ and other capital funds from the merger of the Parent Company with PPF A3 B.V. (refer to B.2.1). The other reserves are not available for distribution to shareholders.

E.15.2. Currency translation reserve

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

E.15.3. Hedging reserve

The hedging reserve, i.e., the cash flow hedge reserve, represented the effect of the recognition of the effective portion of changes in the fair value of hedging instruments in other comprehensive income in equity. The cash flow hedge reserve was not available for distribution to shareholders. In 2021, the hedge reserve was fully derecognised via consolidated statement of income as the foreign currency gains due to the discontinuation of the cash-flow hedge relationship in CETIN CZ (refer to C.3.3).

E.16. Non-controlling interests

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

In millions of EUR

As at 31 December 2022	**TMT Hungary Infra**
NCI percentage (ownership)	**25.00%**
Country of incorporation	Netherlands
Total assets	410
Total liabilities	(120)
Net assets	**290**
Carrying amount of NCI	73
NCI percentage during the period	**25.00%**
Revenue	131
Profit	47
Other comprehensive income/(expense)	(23)
Total comprehensive income	24
Profit allocated to NCI	12
OCI allocated to NCI	(6)
Dividends paid to NCI	**5**

In millions of EUR

As at 31 December 2021	**CETIN CZ**	**TMT Hungary Infra**
NCI percentage (ownership)	**-**	**25.00%**
Country of incorporation	Czech Republic	Netherlands
Total assets	2,369	424
Total liabilities	(1,578)	(135)
Net assets*	**791**	**289**
Carrying amount of NCI	-	72
NCI percentage during the period	**6.85%**	**25.00%**
Revenue	709	128
Profit	102	56
Other comprehensive income/(expense)	6	2
Total comprehensive income	108	58
Profit allocated to NCI	7	14
OCI allocated to NCI	-	(1)
Dividends paid to NCI	**10**	**11**

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

In September 2021, the Group acquired the remaining non-controlling share of 10.27% in CETIN CZ by way of merger with its sister company PPF A3 B.V. (for more details refer to B.2.1).

E.17. Leases

In relation to leases under IFRS 16, the Group recognises depreciation and interest expense, instead of operating lease expense.

E.17.1. Right-of-use assets

The following table shows the roll-forward of right-of-use assets' carrying amounts:

In millions of EUR

	Land and buildings	Ducts, cables and related plant	Telecom. technology and related equipment	Other tangible assets and equipment	Total
Balance as at 1 January 2022	**327**	**2**	**25**	**4**	**358**
Additions	41	-	4	2	47
Disposals	(1)	-	-	-	(1)
Depreciation charge	(53)	-	(4)	(2)	(59)
Effects of movements in exchange rates	1	-	-	-	1
Balance as at 31 December 2022	**315**	**2**	**25**	**4**	**346**

In millions of EUR

	Land and buildings	Ducts, cables and related plant	Telecom. technology and related equipment	Other tangible assets and equipment	Total
Balance as at 1 January 2021	**323**	**2**	**27**	**4**	**356**
Additions	46	-	3	2	51
Depreciation charge	(50)	-	(6)	(2)	(58)
Effects of movements in exchange rates	8	-	1	-	9
Balance as at 31 December 2021	**327**	**2**	**25**	**4**	**358**

E.17.2. Amounts recognised in profit and loss

As at December 2022, the interest expense on leases under IFRS 16 amounted to EUR 13 million (2021: EUR 11 million).

Total cash outflow for leases amounted to EUR 66 million for the year ended 31 December 2021 (2021: EUR 65 million).

E.18. Reconciliation of movements of liabilities to cash flows arising from financing activities

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

In millions of EUR, for the year ended 31 December 2022

	Debt securities issued	Liabilities due to banks	Lease liabilities	Share premium	Total
Balance as at 1 January 2022	**195**	**1,443**	**365**	**640**	**2,643**
Changes from financing cash flows:					
Proceeds from liabilities due to banks	-	15	-	-	15
Proceeds from the issue of debt securities	496	-	-	-	496
Repayment of liabilities due to banks	-	(510)	-	-	(510)
Repayment of principal portion of lease liability	-	-	(54)	-	(54)
Interest paid	(2)	(15)	(12)	-	(29)
Total changes from financing cash flows	**494**	**(510)**	**(66)**	**-**	**(82)**
Effect of change in functional currency	-	-	-	53	53
Effect of changes in foreign exchange rates	5	-	(1)	-	4
New leases	-	-	43	-	43
Interest expense	15	17	13	-	45
Balance as at 31 December 2022	**709**	**950**	**354**	**693**	**2,706**

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

	Debt securities issued	Liabilities due to banks	Lease liabilities	Share premium	Total
Balance as at 1 January 2021	**810**	**-**	**361**	**1,456**	**2,627**
Changes from financing cash flows:					
Cash distribution from decrease of share premium	-	-	-	(816)	(816)
Proceeds from liabilities due to banks	-	1,878	-	-	1,878
Repayments of liabilities due to banks	-	(450)	-	-	(450)
Repayments of debt securities issued	(622)	-	-	-	(622)
Repayment of principal portion of lease liability	-	-	(53)	-	(53)
Interest paid	(11)	(4)	(12)	-	(27)
Total changes from financing cash flows	**(633)**	**1,424**	**(65)**	**(816)**	**(90)**
Effect of changes in foreign exchange rates	7	13	9	-	29
New leases	-	-	49	-	49
Interest expense	11	6	11	-	28
Balance as at 31 December 2021	**195**	**1,443**	**365**	**640**	**2,643**

E.19. Off-balance sheet items

E.19.1. Commitments

In millions of EUR

	31 December 2022	31 December 2021
Capital expenditure commitments – PPE	58	58
Capital expenditure commitments – intangible assets	11	6
Provided guarantees	4	-
Total commitments and contingent liabilities	**73**	**64**

E.19.2. Off-balance sheet assets

In millions of EUR

	31 December 2022	31 December 2021
Guarantees accepted	6	4
Loan commitments received	200	200
Total commitments and contingent assets	**206**	**204**

E.19.3. Guarantees

One of the legal consequences of the voluntary spin-off of infrastructure assets of O2 Czech Republic into CETIN CZ in 2015 and Telenor Hungary, Telenor Bulgaria and Telenor Serbia into CETIN Hungary, CETIN Bulgaria and CETIN Serbia in 2020 was the creation of a statutory cross guarantee (the “Cross Guarantee”), whereby CETIN CZ, CETIN Hungary, CETIN Bulgaria and CETIN Serbia guarantee the monetary and non-monetary debts of O2 Czech Republic, Yettel Hungary, Yettel Bulgaria and Yettel Serbia, respectively, that passed from the relevant operators to CETIN CZ, CETIN Hungary, CETIN Bulgaria and CETIN Serbia following the spin-off. The Cross Guarantee was initially up to the amount of CZK 46.9 billion in the case of CETIN CZ (approx. EUR 1,788 million), HUF 26.9 billion in the case of CETIN Hungary (approx. EUR 74 million), BGN 201 million in the case of CETIN Bulgaria (approx. EUR 103 million) and RSD 11.8 billion in the case of CETIN Serbia (approx. EUR 100 million). The Cross Guarantee is not limited in time and may be exercised at any time until all guaranteed debts have ceased to exist. Should O2 Czech Republic, Yettel Hungary, Yettel Bulgaria, and Yettel Serbia fail to pay their monetary debts or perform its non-monetary debts, creditors may claim under the Cross Guarantee.

E.19.4. Regulatory investigations

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

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

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

E.20. Related parties

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

E.20.1. Transactions with fellow subsidiaries

During the course of the year, the Group had the following significant transactions with fellow subsidiaries (i.e., entities under control of PPF Group N.V.):

In millions of EUR

	31 December 2022	31 December 2021
Receivables due from banks	-	4
Trade receivables	93	69
Cash and cash equivalents	56	34
Right-of-use assets (IFRS 16)	1	1
Trade payables	(6)	(5)
Lease liabilities (IFRS 16)	(1)	(1)
Contract liabilities	(15)	(13)
Debt securities issued	(4)	-
Negative fair value of derivatives	-	(3)

In millions of EUR, for the year ended 31 December

	2022	2021
Revenue from telecommunication business	765	705
Interest income	1	-
Other income from non-telecommunication services	-	3
Other operating expenses	(34)	(36)
Net loss on financial assets	(2)	(3)
Foreign currency gains/(losses)	-	(15)

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

Revenue generated from these agreements is disclosed in detail in section D and note E.1.1. Total fee is consists of base fee and additional fee annually increased by expected and incrementally ordered projects and network capacity. In 2021, the Group concluded with its customers the amendments to the MSA agreements prolonging the contracts till 31 December 2051. Under the new conditions, the annual base fee for the period until 2031 totals EUR 482 million a year, which will be further adjusted for the inflation.

E.20.2. Transactions with key management personnel

Key management personnel of the Group include the members of the board of directors and key management personnel of the Parent Company and its subsidiaries.

For the year ended 31 December 2022, key management personnel were provided with benefits totalling EUR 4.4 million (2021: EUR 2.4 million). These benefits consist only of short-term employee benefits including fixed and variable salaries, such as bonuses.

No loans were provided to key management personnel in 2022 and 2021.

E.20.3. Group restructuring (2021)

In September 2021, the Group merged with one of its fellow subsidiaries PPF A3 B.V. With this merger, the Group acquired the remaining non-controlling interest share of 10.27% in CETIN CZ (refer to B.2.1).

F. Significant accounting policies

F.1. Significant accounting policies

The accounting policies set out below have been applied consistently by all Group entities to all periods presented in these consolidated financial statements.

F.1.1. Foreign currency

F.1.1.1. Foreign currency transactions

A foreign currency transaction is a transaction that is denominated in or requires settlement in a currency other than the functional currency. The functional currency is the currency of the primary economic environment in which an entity operates. For initial recognition purposes, a foreign currency transaction is translated into the functional currency using the exchange rate effective at the date of the transaction and announced by the bank authority ("BA") for the respective country in which the entity operates. At the reporting date:

- monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency using the exchange rate at that date (announced by the BA);
- non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated using the exchange rates (announced by the BA) prevailing at the date that the fair value was determined;
- non-monetary items denominated in foreign currencies that are measured in terms of historical cost are translated using the exchange rate (announced by the BA) at the date of the original transaction.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for the differences arising on the retranslation of available-for-sale equity investments which are recognised in other comprehensive income (except for impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss).

The following table summarises the applied foreign exchange rates of the currencies of the most significant businesses:

	31 December 2022	31 December 2021
CZK/EUR spot rate	24.12	24.86
CZK/EUR yearly average rate	24.57	25.64
HUF/EUR spot rate	400.87	369.19
HUF/EUR yearly average rate	391.29	358.52
BGN/EUR spot rate	1.96	1.96
BGN/EUR yearly average rate	1.96	1.96
RSD/EUR spot rate	117.32	117.58
RSD/EUR yearly average rate	117.46	117.57

F.1.1.2. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to euros at the exchange rates prevailing at the reporting date and announced by the European Central Bank.

The income and expenses of foreign operations are translated to euros at exchange rates approximating the foreign exchange rates prevailing at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the foreign operation is a non-wholly owned subsidiary, the relevant proportion of the translation difference is allocated to the non-controlling interests.

When a foreign operation is disposed of with loss of control, significant influence or joint control, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to the non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

F.1.2. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held at call with banks, short term deposits at banks with original maturity of three months, other short-term highly liquid investments readily convertible to a known amount of cash and subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities section of the statement of financial position. Cash and cash equivalents are carried at amortised cost less expected credit losses (impairment) in the statement of financial position.

F.1.3. Other financial assets

Financial assets are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument. For regular purchases and sales of financial assets, the Group’s policy is to recognise them using settlement date accounting. Any change in the fair value of an asset to be received during the period between the trade date and the settlement date is accounted for in the same way as if the Group used trade date accounting. Financial instruments, with the exception of financial instruments at FVTPL, are measured initially at fair value plus transaction costs directly attributable to the acquisition or issue of the financial instrument.

A financial asset is derecognised when the Group loses control over the contractual rights that comprise that asset. This occurs when the rights are exercised, or when the rights expire or are surrendered.

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

F.1.3.1. Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held either at a portfolio level, because this best reflects the way the business is managed and information is provided to management or the asset is assessed individually in the specific cases. The information that is considered for the portfolio assets, besides a portfolio cash-flow characteristics, includes portfolio objectives, management strategies and operations, compensation of the managers, risks affecting the business model and evaluation of the portfolio performance. The same information is considered in specific individual cases.

The Group differentiates between the following basic business models:

- held-to-collect business model
- both held-to-collect and for-sale business model
- other business models (incl. trading, managing assets on a fair value basis, maximizing cash-flows through sale and other models).

F.1.3.2. Assessment whether contractual cash flows are solely payments of principal and interest

In assessing whether contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

A prepayment feature is consistent with the SPPI criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract. In addition, a prepayment feature is treated as consistent with this criterion if a financial asset is acquired or originated at a premium or discount to its contractual par amount, the prepayment amount substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination), and the fair value of the prepayment feature is insignificant on initial recognition.

F.1.3.3. Financial assets at FVTPL

Financial assets that at initial recognition are mandatorily at FVTPL are financial assets held for trading, those that are managed and whose performance is evaluated on a fair value basis, equity securities for which the irrevocable option to measure them at FVOCI was not applied and debt securities that did not meet the SPPI criterion. Non-trading financial assets are financial assets that at initial recognition are designated at FVTPL.

Financial assets held for trading are assets that were acquired or incurred principally for the purpose of generating a profit from short-term fluctuations in their price or the dealer's margin. Financial assets are classified as held for trading if, regardless of the reason they were acquired, they are part of a portfolio for which there is evidence of a recent actual pattern of short-term profit taking.

Financial assets held for trading include investments and certain derivative contracts that are not designated as effective hedging instruments. All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as financial assets at FVTPL. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as financial liabilities at FVTPL.

Subsequent to initial recognition, all financial assets at FVTPL are measured at fair value based on the market prices quoted on an active market, except for derivative instruments that are not exchange-traded and financial assets that are not quoted on an active market, which are measured based on generally accepted valuation techniques depending on the product. Gains and losses arising from changes in the fair values of financial assets at FVTPL are recognised in the statement of income.

F.1.3.4. Financial assets at AC

Financial assets at AC comprise cash and cash equivalents, receivables due from banks, trade receivables and accrued income, and certain investment debt securities.

A financial asset is measured at AC if it meets both of the following conditions and is not designated as at FVTPL (held-to-collect business model):

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial recognition, the Group measures these financial assets at AC less expected credit losses (impairment). Interest revenue, determined using the effective interest method, expected credit losses and reversals, and foreign exchange gains and losses related to financial assets at AC are recognised in the statement of income.

When the financial assets at AC are derecognised, the gains or losses are recognised in the statement of income.

F.1.3.5. Financial assets at FVOCI

Financial assets at FVOCI comprise equity and debt securities. Both, equity and debt securities, are initially measured at fair value plus eligible transaction costs.

For equity securities that are not held for trading the Group, on initial recognition may irrevocably elect to present subsequent changes in fair value in OCI. This choice is made on an investment-by-investment basis.

After initial recognition, the Group measures equity securities at fair value, where any revaluation gain or loss is recognised in other comprehensive income. No expected credit losses (impairment) are recognised for equity securities. Dividends from equity securities at FVOCI are recognised in the statement of income.

When equity securities at FVOCI are derecognised, the cumulative gain or loss previously recognised in equity is not reclassified to the statement of income under any circumstances but directly reclassified to retained earnings. Transaction costs incurred upon the disposal of equity securities at FVOCI are recognised in the statement of income.

A debt security is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, the Group measures the above debt securities at fair value. Interest revenue determined using the effective interest rate method, expected credit losses (impairment), and foreign exchange gain or loss are recognised in the statement of income, whereas any other revaluation gain or loss is recognised in other comprehensive income.

When the debt securities at FVOCI are derecognised, the cumulative gain or loss previously recognised in equity is reclassified to the statement of income.

For debt securities that are not held for trading, the Group on initial recognition may irrevocably elect to present subsequent change in fair value in FVTPL if, and only if, such a designation eliminates or significantly reduces a measurement or recognition inconsistency. This choice is made on an investment-by-investment basis.

F.1.3.6. Trade receivables

Trade receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market, other than those classified as at FVTPL or at FVOCI.

Trade receivables (unless those without a significant financing component that are initially measured at the transaction price) are initially measured at fair value plus eligible transaction costs. The Group subsequently measures the trade receivables at AC less expected credit losses (impairment).

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

F.1.4. Derecognition of financial assets and liabilities

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or when it transfers the rights to receive the contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in the transferred financial assets that is created or retained by the Group is recognised separately as an asset or a liability.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire or when its terms are modified and the cash flows of the modified liability are substantially different. In that case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the derecognised financial liability and paid consideration is recognised in profit or loss. Paid consideration includes the transferred non-financial assets, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as a derecognition, the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate, and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect market terms current at the time of the modification. Any incurred costs and fees are recognised as an adjustment of the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

F.1.5. Derivatives and hedge accounting

The Group has used the transitional provisions in IFRS 9 and continues to apply IAS 39 for existing hedging relations, as follows:

At the inception of a financial derivative contract, the Group designates the derivative instrument as either held for trading or hedging.

Hedging derivatives are derivatives that the Group uses to hedge against interest rate and foreign exchange rate risks to which it is exposed as a result of its financial market transactions. The Group designates a derivative as hedging only if the criteria set out under IFRS are met at the designation date, i.e. if, and only if, all of the following conditions are met:

- the derivative is in compliance with the Group's risk management objective and strategy in undertaking the hedge;
- at the inception of the hedge, the hedging relationship has been formally designated and documented including the identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk;
- the hedge is expected to be highly effective at inception and throughout the period;
- the effectiveness of the hedge can be reliably measured;
- changes in the fair value or cash flows of the hedged item are almost fully offset by changes in the fair value or cash flows of the hedging instrument and the results are within a range of 80% to 125%.

Hedging derivatives are accounted for according to the type of hedging relationship, which can be one of the following:

- a hedge of an exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and that could affect profit or loss (fair value hedge);
- a hedge of an exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and that could affect profit or loss (cash flow hedge).

Changes in the fair value of a derivative that is designated and qualified as a cash flow hedge and that proves to be highly effective in relation to the hedged risk are recognised in OCI transferred to the statement of income and classified as income or expense in the periods during which the hedged assets and liabilities affect the statement of income.

On this basis, the Group hedges the interest rate risk and foreign currency risk associated with individually significant assets or liabilities. The effectiveness of the hedge is regularly tested through prospective and retrospective tests on a quarterly basis. If the hedge no longer meets the criteria for hedge accounting, the hedging instrument expires or is sold, terminated or exercised, the entity revokes the designation and the hedge accounting is discontinued prospectively.

F.1.6. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

F.1.7. Impairment

F.1.7.1. Non-derivative financial assets

In accordance with IFRS 9, the Group's entities calculate the loss allowance for financial assets as equal to 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 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.

Regardless of these analyses, the Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days overdue. In the case of cash and cash equivalents, it includes the situation where Moody's external credit rating falls from the investment grade (Aaa-Baa3 rating) to the speculative (non-investment) grade (Ba1-B3 rating). The Group categorises these assets into the 2nd stage of the IFRS 9 impairment model and calculates a loss allowance equal to expected lifetime credit losses. Credit-impaired financial assets are included in the third stage of the IFRS 9 impairment model. The Group assesses a financial asset as credit-impaired when one or more of the following events occurs: the debtor is facing significant financial difficulty; it is probable that the debtor will enter bankruptcy or other financial reorganisation; the financial asset is more than 90 days overdue. Loss allowance for assets in the third stage is equal to the expected lifetime credit losses and the interest is calculated from the net value of the asset.

A financial asset is considered to be in default when it is more than 90 days overdue. And in the case of cash and cash equivalents, it includes the situation, where according to Moody's, the external credit rating of the counterparty decreases to risk grade (Caa1-C rating) or below.

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the original effective interest rate.

F.1.7.2. Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (tangible assets, intangible assets including goodwill) to determine any indication of impairment. If such an indication exists, then the asset's recoverable amount is estimated. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continued use that is largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to the CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in the statement of income. They are first allocated to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

F.1.8. Leases

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

The Group recognises 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 Group presents right-of-use assets that do not meet the definition of investment property as in separate line item in the consolidated statement of financial position.

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. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently measured at amortised 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 has elected to apply the practical expedient not to recognise right-of-use assets and lease liabilities for leases of low-value assets. The lease payments associated with these leases is recognised as an expense on a straight-line basis over the lease term. The Group has decided not to recognise lease and non-lease components separately.

F.1.9. Inventories

Inventories are stated at the lower of cost and net realisable value (being the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale). Where the net realisable value is below cost, inventories are written down to the lower value, and the impairment loss is recorded in the statement of income. 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.

F.1.10. Assets held for sale

Non-current assets (or disposal groups comprising assets and liabilities) expected to be primarily recovered through sale rather than through continued use are classified as held for sale. Immediately before being classified as held for sale, the assets (or components of a disposal group) are measured in accordance with the applicable IFRS. Thereafter, the assets (or disposal groups) are generally measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group is allocated to assets and liabilities on a pro rata basis, except that no loss is allocated to inventory, financial assets, deferred tax assets, employee benefit assets and investment property; these continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

F.1.11. Property, plant and equipment

Property, plant and equipment is stated at purchase price or production cost, less accumulated depreciation (except for freehold land) and any accumulated impairment losses.

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 customer premises, including the cost of contractors, material, direct labour costs and interest cost incurred during the course of construction. The costs also include the estimated costs of dismantling and removing the asset and restoring the site. No borrowing costs are capitalised to assets under construction.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property, plant and equipment, and is recognised in other operating income/other operating expenses in profit or loss.

Depreciation is provided on a straight-line basis using the following useful lives:

Buildings and constructions	up to 56 years
Ducts and cables	up to 45 years
Telecommunication technology and equipment	up to 35 years
Other tangible assets and equipment	up to 35 years

Component parts of an asset with different useful lives or providing benefits in a different pattern are recognised as separate assets with different depreciation rates.

The depreciation methods, useful lives and residual values, if not insignificant, are reassessed annually. If a material technical improvement is made to an asset during the year, its useful life and residual value are reassessed at the time the technical improvement is recognised.

F.1.12. Intangible assets

F.1.12.1. Goodwill and gain on bargain purchase

The Group accounts for all business combinations, as acquisitions, except for business combinations determined to be reorganisations involving group companies under common control.

Goodwill is measured at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units at the date of the acquisition and not amortised but instead tested for impairment, annually or more frequently if events or changes in circumstances indicate that it might be impaired. Gain on bargain purchase (formerly negative goodwill) arising on an acquisition is recognised immediately in the statement of income.

In respect of associates, the carrying amount of any goodwill is included in the carrying amount of the investment in the associate.

F.1.12.2. Other intangible assets

Intangible assets of the Group include computer software and other intangible assets. 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 incurred expense. 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 1 to 20 years. Valuable rights are amortised according to the period for which the Group is allowed to utilise the rights, usually for a period from 2 to 22 years.

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 amortised on a straight-line basis over their estimated useful lives. Customer bases are amortised over a period of the remaining average terms of the binding contracts or the period over which they are utilisable to generate an economic benefit for the entity, which is between the period from 3 to 14 years.

Intangible assets with an indefinite useful life are not amortised but instead subject to regular impairment reviews. Intangible assets with an indefinite useful life are not amortised but instead subject to regular impairment reviews.

At least at every balance sheet date the Group reviews 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 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 from which 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.

F.1.13. Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the statement of income except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

F.1.13.1. Current tax

Current tax is the expected tax payable on the taxable income for the year, using the tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

The Group does not offset current tax assets and current tax liabilities unless it has a legally enforceable right to set off the recognised amounts or intends to settle them on a net basis, or to realise the asset and settle the liability simultaneously.

F.1.13.2. Deferred tax

A deferred tax position is recognised when temporary differences arise between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for: the initial recognition of goodwill arising from a business combination, the initial recognition of assets or liabilities that affect neither the accounting nor the taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using the tax rates enacted or substantially enacted at the reporting date.

A deferred tax asset is recognised for unused tax losses, unused tax credits and deductible temporary differences only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Recognised deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Group offsets deferred income tax assets and deferred income tax liabilities only if it has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income tax levied by the same taxation authority and relate to the same taxable entity.

F.1.13.3. Tax exposure

The Group is subject to income taxes in different jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. During the ordinary course of business, the ultimate tax determination is uncertain for many transactions and calculations. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these issues is different from the amounts that were initially recorded, such differences will affect the income tax and deferred tax provisions in the period in which such a determination is made.

F.1.14. Bank loans, debt securities issued

Liabilities due to banks and debt securities issued are the Group's sources of debt funding.

Loans and debt securities issued are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their AC using the effective interest method, except where the Group designates liabilities at FVTPL.

F.1.15. Other liabilities and provisions

Accounts payable arise when the Group has a contractual obligation to deliver cash or another financial asset. Accounts payable are measured at AC, which is normally equal to their nominal or repayment value.

A provision is recognised in the statement of financial position when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reasonable estimate can be made of the amount of the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

F.1.16. Equity

F.1.16.1. Dividends

Dividends on share capital are recognised as a liability in the case they are declared and not yet settled before the reporting date. Dividends declared after the reporting date are not recognised as a liability but are disclosed in the notes.

F.1.16.2. Non-controlling interests

Non-controlling interests consist of the minority shareholders' proportion of the subsidiary's recognised net assets at the date of the original combination, plus or minus their share of changes in the subsidiary's equity since that date.

Net profit allocated to non-controlling interests is that part of the net results of the Group attributable to interests which are not owned, either directly or indirectly through subsidiaries, by the equity holders of the Parent Company.

Losses applicable to non-controlling interests, including negative other comprehensive income, are allocated to non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

F.1.17. Interest income and interest expense

Interest income and interest expense are recognised in the statement of income on an accrual basis, considering the effective yield of the asset or liability in question, or the applicable floating rate. Interest income and interest expenses include the amortisation of any discounts or premiums or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated using the effective interest rate method.

F.1.18. Net gain/loss on financial assets

Net gain/loss on financial assets comprises net trading income, net gains on financial assets at FVTPL that are not held for trading, net realised gains, and dividends.

Net trading income arises from the subsequent measurement of trading assets and trading liabilities at fair value or from their disposal. The amount of trading income to be recorded represents the difference between the latest carrying value and the sale price or between the latest carrying value and the fair value as of the date of the consolidated financial statements.

Net gains on financial assets at FVTPL that are not held for trading arise from their subsequent measurement at fair value or from their disposal.

A realised gain/loss arises on de-recognition of financial assets other than financial assets at FVTPL. The amount of the realised gain/loss represents the difference between the carrying value of the financial asset and the sale price adjusted for any cumulative gain or loss that had been recognised directly in equity.

Dividends from financial assets are recorded in the statement of income once declared and approved by the shareholders' meeting of the respective company.

F.1.19. 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 recognised on an accrual basis; i.e. when the flow of goods or services takes place, regardless of when the payment or collection is being made.

Revenue from mobile services includes, in particular, revenue from provision of a service of coverage of mobile signal for business operating entities owned by PPF Telecom Group B.V. These are long-term contracts. The service is provided on continuous basis and is regularly invoiced in the form of a service fee. The revenue is recognised over the time and is included in domestic revenue (Note E.1).

Revenue from fixed broadband services represents revenue from provided access to the public fixed communications network (Internet, television lines and fixed phone lines). The service is provided and invoiced on continuous basis. The revenue is calculated as a price for the network line and the number of lines provided. The revenue is recognised over the time and is included in domestic revenue (Note E.1).

Other fixed and domestic service revenues include but are not limited to revenues from data services, which represents a fee for access to end points of the existing telecommunication network (the revenue is calculated as a price for the network line and the number of lines provided), revenues from the granting of the entitlement to use the spare capacity of the optical fibre (dark fibre); the revenues are accrued at the time of signing of the contract and recognised as revenue on straight-line basis over the contract term. Revenue from housing represents data centre services; the revenue occurs continuously in accordance with the invoicing. These revenues are included in domestic revenue (Note E.1).

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 and Bulgaria. The revenue is calculated by valuation of the incoming and outcoming minutes based on the measurement of the monthly traffic. The revenue is recognised over the time and is included in international transit revenues (Note E.1).

The Group 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 Group reflects the time value of money. The Group will receive the payment ahead of the performance of the service. The Group recognises 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.

F.1.20. Employee benefits

The governments of the countries the Group operates in are responsible for providing pensions and retirement benefits to the Group's employees. A regular contribution linked to employee salaries is made by the Group to the governments to fund national pension plans. Payments under these pension schemes are charged as expenses as they fall due.

The Group also has obligations from defined benefit plans representing post-employment benefit plans that are other than defined contribution plans. The Group's net obligation in respect of the defined benefit plans is calculated separately for each plan by estimating the amount of the future benefit that employees earned in the current and prior periods. The resulting amount is discounted to determine its present value. The Group recognises all actuarial gains and losses under the defined benefit plans in other comprehensive income.

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.

Employees whose employment was terminated due to statutory reasons are entitled to redundancy and severance payment. The Group recognises a 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 an opt-out possibility. Severance payments falling due more than 12 months after the balance sheet date are discounted to their present value. The Group presently has no redundancy and severance obligations falling due more than 12 months after the balance sheet date.

F.2. Changes in accounting policies and accounting pronouncements adopted since 1 January 2022

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

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

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

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

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

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

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

F.3. Standards, interpretations and amendments to published standards that are not yet effective but relevant for the Group's consolidated financial statements

A number of new standards, amendments to standards and interpretations were not yet effective as of 31 December 2022 and have not been applied in the preparation of the consolidated financial statements. Of these pronouncements, the following will have potentially an impact on the Group's operations. The Group plans to adopt these pronouncements when they become effective.

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

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

These amendments have been adopted by the EU and the Group does not expect any material impact on its consolidated financial statements resulting from the application of these amendments.

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

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

These amendments have been adopted by the EU and the Group does not expect any material impact on its consolidated financial statements resulting from the application of these amendments.

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

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

These amendments have been adopted by the EU and the Group does not expect any material impact on its consolidated financial statements resulting from the application of these amendments.

Amendments to IAS 1 Presentation of Financial Statement Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants (effective from 1 January 2024)

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

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

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

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (effective from 1 January 2024)

Lease liability in a sale and leaseback (Amendments to IFRS 16) requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognising in statement of profit or loss any gain or loss relating to the partial or full termination of a lease.

These amendments have not been adopted by the EU yet. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of these IFRS 16 amendments.

G. Subsequent events

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

CETIN Group N.V.

Separate financial statements for the year ended 31 December 2022

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Statement of financial position
(before appropriation)

In millions of EUR

	Note	31 December 2022	31 December 2021	1 January 2021
ASSETS				
Investments in subsidiaries	5	1,687	1,687	1,644
Loan receivable	6	624	625	-
Non-current assets		**2,311**	**2,312**	**1,644**
Cash and cash equivalents	7	37	2	-
Loan receivable	6	2	1	-
Current assets		**39**	**3**	**-**
TOTAL ASSETS		**2,350**	**2,315**	**1,644**
LIABILITIES				
Due to banks	8	948	1,442	-
Debt securities issued	9	496	-	-
Non-current liabilities		**1,444**	**1,442**	**-**
Due to banks	8	2	1	-
Debt securities issued	9	11	-	-
Current liabilities		**13**	**1**	**-**
TOTAL LIABILITIES		**1,457**	**1,443**	**-**
Issued capital*	11.1	-	-	-
Share premium	11.2	738	738	1,528
Unappropriated result		111	230	86
Retained earnings		44	(96)	30
Total equity		**893**	**872**	**1,644**
TOTAL LIABILITIES AND EQUITY		**2,350**	**2,315**	**1,644**

*Issued capital is EUR 45,000

Statement of comprehensive income

In millions of EUR

	Note	2022	2021
Dividend income	12	131	218
Interest income		12	1
Total operating income		**143**	**219**
Operating expenses	13	3	5
Finance cost	14	29	3
Foreign exchange gain		(1)	(18)
Impairment loss on receivables		1	-
Impairment loss/(reversal) on subsidiaries	5	-	(1)
Total operating expense		**33**	**(11)**
PROFIT BEFORE TAX		**111**	**230**
Income tax expense	16	-	-
NET PROFIT FOR THE PERIOD		**111**	**230**
Other comprehensive income for the period		**-**	**-**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**111**	**230**

Statement of changes in equity

In millions of EUR

	Issued capital*	Share premium	Unappropri-ated result	Retained earnings	Total
Balance at 1 January 2022	**-**	**738**	**230**	**(96)**	**872**
Dividends paid	-	-	-	(90)	(90)
Total comprehensive income					
Profit appropriation	-	-	(230)	230	-
Net profit for the year	-	-	111	-	111
Balance at 31 December 2022	**-**	**738**	**111**	**44**	**893**

*Issued capital as of 1 January and 31 December is EUR 45 thousand

In millions of EUR

	Issued capital*	Share premium	Unappropri-ated result	Retained earnings	Total
Balance at 1 January 2021	**-**	**1,528**	**86**	**30**	**1,644**
Contributions for the year	-	140	-	-	140
Distributions for the year	-	(930)	-	-	(930)
Dividends paid	-	-	-	(212)	(212)
Total comprehensive income					
Profit appropriation	-	-	(86)	86	-
Net profit for the year	-	-	230	-	230
Balance at 31 December 2021	**-**	**738**	**230**	**(96)**	**872**

*Issued capital as of 1 January is 1 thousand.

Statement of cash flow

In millions of EUR

	Note	2022	2021
Profit before tax		111	230
Adjustments for:			
Dividend income	12	(131)	(218)
Withholding tax on dividend income		1	2
Interest expense (net)		17	3
(Gains)/losses on derivatives revaluation and currency translations (net)		(1)	(18)
Impairment loss/(reversal) on subsidiaries	5	-	(1)
Net operating cash flows before changes in working capital		**(3)**	**(2)**
Change in other receivables and payables		1	1
Cash flows used in the operations		**(2)**	**(1)**
Dividend received		134	215
Loans provided to a subsidiary	6	-	(639)
Interest received		11	-
Cash flows (used in)/from investing activities		**145**	**(424)**
Utilisation of loans from banks (net of fees)	8	15	1,473
Repayment of loans from banks (net of fees)	8	(510)	-
Interest paid		(15)	(1)
Proceeds from share premium contribution	9	-	96
Distribution of share premium	9	-	(930)
Proceeds from refinancing		496	-
Dividends paid		(90)	(212)
Cash flows from/(used in) financing activities		**(104)**	**426**
Change in cash and cash equivalents		**39**	**1**
Cash and cash equivalents at beginning of year	7	2	-
Effect of exchange rate changes on cash and cash equivalents		(4)	1
Cash and cash equivalents at end of year	7	**37**	**2**

NOTES TO THE FINANCIAL STATEMENTS

1 General information

CETIN Group N.V. (hereinafter the "Company"), incorporated as a limited liability company (then named CETIN Group B.V.) and converted to public limited liability company and renamed on 3 September 2021, is domiciled in the Netherlands since its incorporation of 23 January 2016. The Company is a 100% owned subsidiary of PPF Telecom Group B.V.

As at 31 December 2022 the Company's board of directors had the following composition:

J. S. Basterra	Director
K. Burganov	Director
A. J. Dench	Director
J. C. Jansen	Director
J. Kadaník	Director
M. M. van Santen	Director
J. Šedivý	Director

2 Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS-EU") including International Accounting Standards ("IASs"), promulgated by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB and with Part 9 of Book 2 of the Dutch Civil Code.

These separate financial statements and the consolidated financial statements together constitute the statutory financial statements of CETIN Group N.V. The Company's consolidated financial statements are available in a separate part of the annual report.

2.2 Basis of measurement

The financial statements are prepared at the historical cost convention. Assets and liabilities are stated at nominal value, unless stated otherwise.

2.3 Functional and presentation currency

These financial statements are presented in Euro, which is the Company's functional currency. Since 1 January 2022 the functional currency was changed from CZK to EUR, as a consequence of changes in the external financing and a sale of a 30% stake in the Company during 2021. Both events brought changes in the relations in currencies by which the Company is financed and under which it operates, from CZK to EUR. The recalculation of comparative figures for 2021 from CZK to EUR was performed using a spot exchange rate as at 1 January 2022 which was 24.86 CZK/EUR.

2.4 Use of judgement and estimates

Estimates and judgements 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 have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are those affecting valuation and possible impairment of subsidiaries and loans receivable from the subsidiaries. Refer to Notes 4.6, 5 and 6 for more details.

2.5 Going concern

These financial statements have been prepared on the basis of the going concern assumption.

2.6 Changes in accounting policies and accounting pronouncements adopted since 1 January 2022

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

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

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

The amendment had no impact on the Company's separate financial statements.

Amendments to IFRS 3, IAS 16, IAS 37 and Annual Improvements 2018-2020 *(effective from 1 January 2022)*
These amendments and annual improvements, in general, bring some clarifications in the standards on various guidance and update some references.

These amendments had no impact on the Company's separate financial statements.

2.7 Standards, interpretations and amendments to published standards that are not yet effective and are relevant for the Company's financial statements

A number of new Standards, amendments to Standards and Interpretations were not yet effective as of 31 December 2022 and have not yet been applied in preparing these financial statements. Of these pronouncements, potentially the following will have an impact on the Company's operations. The Company plans to adopt these pronouncements when they become effective.

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

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

These amendments have been adopted by the EU and the Company does not expect any material impact on its separate financial statements resulting from the application of these amendments.

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

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

These amendments have been adopted by the EU and the Company does not expect any material impact on its separate financial statements resulting from the application of these amendments.

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

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

These amendments have been adopted by the EU and the Company does not expect any material impact on its separate financial statements resulting from the application of these amendments.

Amendments to IAS 1 Presentation of Financial Statement Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants (effective from 1 January 2024)

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

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

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

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (effective from 1 January 2024)

Lease liability in a sale and leaseback (Amendments to IFRS 16) requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognising in statement of profit or loss any gain or loss relating to the partial or full termination of a lease.

These amendments have not been adopted by the EU yet. The Company does not expect any impact on its separate financial statements resulting from the application of these IFRS 16 amendments.

3 Significant accounting policies

3.1 Foreign currency transactions

A foreign currency transaction is a transaction that is denominated or requires settlement in a currency other than functional currency. The functional currency is the currency of the primary economic environment in which an entity operates. For initial recognition purposes, a foreign currency transaction is translated into the functional currency using the foreign currency exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at rates of exchange prevailing at the reporting date. Transactions denominated in foreign currencies are translated at rates prevailing at the time the transaction occurred. Translation differences are recorded in the statement of comprehensive income.

3.2 Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The Company initially recognises its investments in subsidiaries at cost. Subsequently they are measured at cost less impairment losses.

3.3 Financial instruments

a) Recognition and derecognition

Financial assets and liabilities are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. For regular purchases and sales of financial assets, the Company's policy is to recognise them at the settlement date.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired.

b) Classification and measurement

Financial assets

IFRS 9 contains a classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 includes three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

– it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

– it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

– its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. In addition, on initial recognition the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is classified into one of these categories on initial recognition.

Financial liabilities

Financial liabilities are classified as subsequently measured at amortised cost or, when derivative or held for trading, at FVTPL. The Company can also irrevocably, at initial recognition, designate the financial liability at FVTPL meeting certain criteria. When designated at FVTPL, the financial liability's fair value change due to the Company's change in its credit risk is presented in OCI, unless such presentation creates or enlarge an accounting mismatch in profit or loss. Other changes in fair value are presented in profit or loss.

a) Fair value measurement principals

The fair value of financial instruments is based on their quoted market price at the end of the reporting period without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the end of the reporting period for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the end of the reporting period.

b) Offsetting

Financial assets and liabilities are permitted to be set off and the net amount presented in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.
Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

No amounts were offset in periods reported.

3.1 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand, deposits held at call with banks, short term deposits at banks with original maturity of three months or less, other short-term highly liquid investments readily convertible to a known amount of cash and subject to an insignificant risk of changes in value, and bank overdrafts. Cash and cash equivalents are carried at amortised cost less expected credit losses (impairment) in the statement of financial position.

3.2 Other receivables and payables

Other receivables and payables arise when the Company has a contractual obligation to receive or deliver cash or another financial asset. Other receivables and payables are measured at amortised cost, which is normally equal to their nominal or repayment value.

3.3 Equity

Share capital represents the nominal value of shares issued by the Company.

Dividends on share capital, share premium reduction and other capital distributions are recognised as a liability provided that they are declared before the end of the reporting period. Dividends, share premium reduction and other capital distributions declared after the end of the reporting period are not recognised as a liability but are disclosed in the notes.

3.4 Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the end of the reporting period. A deferred tax asset is recognised for unused tax losses, unused tax credits and deductible temporary differences only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.5 Income and expense recognition

Interest income and interest expense are recognised in the statement of comprehensive income on an accrual basis, taking into account the effective yield of the asset or liability, or the applicable floating rate. Interest income and interest expense include the amortisation of any discounts or premiums of other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated using the effective interest rate method.

Dividend income is recognised in profit or loss on the date that the dividend is declared.

Other income and expense items are recognised in profit or loss when the corresponding service is provided.

3.6 Operating expenses

Operating expenses are accounted for in the period in which these are incurred. Losses are accounted for in the year in which they are identified.

3.7 Impairment

Non-derivative financial assets

In accordance with IFRS 9, the Company calculates the loss allowance for financial assets as equal to 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 at the amount of expected credit losses over the life of the financial asset. For cash and cash equivalents and loan receivables, 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.

Regardless of these analyses, the Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days overdue. In the case of cash and cash equivalents, it includes the situation where Moody's external credit rating falls from the investment grade (Aaa-Baa3 rating) to the speculative (non-investment) grade (Ba1-B3 rating).

The Company categorises these assets into the 2nd stage of the IFRS 9 impairment model and calculates a loss allowance equal to expected lifetime credit losses. Credit-impaired financial assets are included in the third stage of the IFRS 9 impairment model. The Company assesses a financial asset as credit-impaired when one or more of the following events occurs: the debtor is facing significant financial difficulty; it is probable that the debtor will enter bankruptcy or other financial reorganisation; the financial asset is more than 90 days overdue. Loss allowance for assets in the third stage is equal to the expected lifetime credit losses and the interest is calculated from the net value of the asset.

A financial asset is considered to be in default when it is more than 90 days overdue. And in the case of cash and cash equivalents, it includes the situation, where according to Moody's, the external credit rating of the counterparty decreases to risk grade (Caa1-C rating) or below.

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated.

The recoverable amount of the Company's investment in subsidiaries and other assets is greater of their value less the cost to sell and their value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised in the statement of comprehensive income if the carrying amount of an asset exceeds its recoverable amount.

An impairment loss is reversed through the statement of comprehensive income if there has been an increase in the recoverable amount and increase can be objectively related to an event occurring after the date of the impairment. An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount of the asset that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

4 Risk management

Management of the risk arising from participating in subsidiaries and risk arising from financial instruments is fundamental to the Company's business and is an essential element of the Company's operations. The major risks related to participating in foreign subsidiaries and associates is the risk of impairment due to adverse economic conditions, movements in foreign exchange rates and liquidity risks given the strong growth in the Central and Eastern European market. These risks are managed by the Company monitoring the development of financial markets, using robust investment decision process and proper liquidity management. Financial instrument risks faced by the Company are those related to credit exposures, movements in interest rates and foreign exchange rates. The Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework. The risks are managed in the following manner:

4.1 Credit risk

Credit risk is the risk of financial loss occurring as a result of default by a borrower or counterparty on their obligation. The majority of the Company's exposure to credit risk arises in connection the provision of loans to related parties. The remaining part of the Company's exposures to credit risk is related to deposits with banks and certain other assets. Loans provided by the Company to related parties are unsecured. The carrying amount of financial assets represents the maximum credit exposure.

The Company limits its exposure to credit risk by providing loans only to related parties and placing funds with reputable financial institutions.

4.2 Interest rate risk

Interest rate risk is measured by the extent to which changes in market interest rates impact on margins and net interest income. The Company's objective in managing its exposure to interest rate fluctuations is to minimise reported earnings and cash flow volatility associated with interest rate changes.

A summary of the Company's interest rate gap position, analysed by the earlier of contractual re-pricing or maturity date, is as follows.

In millions of EUR, as at 31 December 2022

	Effective interest rate	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Cash and cash equivalents	0.00%	37	-	-	-	-	37
Loan receivable	3.47 %	626	-	-	-	-	626
Total interest-bearing financial assets		**663**	**-**	**-**	**-**	**-**	**663**
Due to banks	3.13%	950	-	-	-	-	950
Due to non-banks	3.13%	-	11	-	496	-	507
Total interest-bearing financial liabilities		**950**	**11**	**-**	**496**	**-**	**1,457**
Net position 2022		**(287)**	**(11)**	**-**	**(496)**	**-**	**(794)**

In millions of EUR, as at 31 December 2021

	Effective interest rate	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Cash and cash equivalents	0.00%	2	-	-	-	-	2
Loan receivable	1.50%	626	-	-	-	-	626
Total interest-bearing financial assets		**628**	**-**	**-**	**-**	**-**	**628**
Due to banks	1.07%	1,443	-	-	-	-	1,443
Total interest-bearing financial liabilities		**1,443**	**-**	**-**	**-**	**-**	**1,443**
Net position 2021		**(815)**	**-**	**-**	**-**	**-**	**(815)**

4.3 Liquidity risk

Liquidity risk represents the risk of being unable to fund assets using instruments with appropriate maturities and rates, the risk of being unable to liquidate an asset sufficiently quickly and in the appropriate amount and the risk of being unable to meet obligation as they become due. The Company continually assesses its liquidity risk with the Group treasury by identifying and monitoring changes in the funding required to meet the business goals.

A summary of the Company's liquidity gap position, analysed by the maturity date, is as follows.

In millions of EUR, as at 31 December 2022

	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Cash and cash equivalents	37	-	-	-	-	37
Loan receivable	2	-	-	624	-	626
Total financial assets	**39**	**-**	**-**	**624**	**-**	**663**
Due to banks	2	-	-	948	-	950
Due to non-banks	-	11	-	496	-	507
Total financial liabilities	**2**	**11**	**-**	**1,444**	**-**	**1,457**
Net position 2022	**37**	**(11)**	**-**	**(820)**	**-**	**(794)**

In millions of EUR, as at 31 December 2021

	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Cash and cash equivalents	2	-	-	-	-	2
Loan receivable	1	-	-	625	-	626
Total financial assets	**3**	**-**	**-**	**625**	**-**	**628**
Due to banks	1	296	-	1,146	-	1,443
Total financial liabilities	**1**	**296**	**-**	**1,146**	**-**	**1,443**
Net position 2021	**2**	**(296)**	**-**	**(521)**	**-**	**(815)**

4.4 Foreign currency risk

Foreign currency risk arises when the actual or forecasted assets in foreign currency are either greater or less than the liabilities in that currency. The Company's strategy is to keep its foreign currency position closed, as practically as possible.

The Company has only a small CZK cash balance below EUR 100 thousand (in 2022 and 2021).

In millions of EUR, as at 31 December 2022

	EUR	CZK	Total
Cash and cash equivalents	37	-	37
Loans receivable	626	-	626
Total financial assets	**663**	**-**	**663**
Due to banks	950	-	950
Due to non-banks	507	-	507
Total financial liabilities	**1,457**	**-**	**1,457**
Net position 2022	**(794)**	**-**	**(794)**

In millions of EUR, as at 31 December 2021

	EUR	CZK	Total
Cash and cash equivalents	2	-	2
Loans receivable	626	-	626
Total financial assets	**628**	**-**	**628**
Due to banks	1,443	-	1,443
Total financial liabilities	**1,443**	**-**	**1,443**
Net position 2021	**(815)**	**-**	**(815)**

4.5 Capital management

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

To achieve this overall objective, the Company's capital management, amongst other things, aims to ensure that it meets applicable financial covenants attached to the interest-bearing loans and borrowings.

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

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

4.6 Fair values of financial instruments

The Company has performed an assessment of fair values of its financial instruments. Fair values have been estimated either by reference to the market value at the end of the reporting period date or by discounting the relevant cash flows using current interest rates for similar instruments.

The Company's fair-value estimates for its financial assets and liabilities are not materially different from their carrying values except for debt securities issued. The fair value of issued bonds is EUR 48 million lower than its carrying amount (EUR 507 million).

All of the Company's financial assets and liabilities are classified as Level 2 in the fair value hierarchy (except for loan receivable that is Level 3) and no transfers between levels occurred in 2022 or 2021.

5 Investments in subsidiaries

In millions of EUR

	Share	31 December 2022	Share	31 December 2021
CETIN a.s.	100%	672	100%	672
Telenor Common Operations Zrt.	0%	-	0%	-
TMT Hungary Infra B.V.	75%	367	75%	367
CETIN Bulgaria EAD	100%	304	100%	304
CETIN d.o.o. Beograd-Novi Beograd	100%	344	100%	344
CETIN Finco B.V.	100%	-	-	-
Total		**1,687**		**1,687**

CETIN Finco B.V. was incorporated on 10 March 2022.

Telenor Common Operations Zrt. was liquidated on 26 July 2021.

On 31 August 2021 the Company, which was the surviving entity, merged with its sister company PPF A3 B.V. The value contributed by the disappearing company amounted to EUR 44 million and comprised a 10.27% share in CETIN a.s.. The effective and legal date of the merger was 31 August 2021.

The following table shows movement of investment in subsidiaries:

In millions of EUR

	31 December 2022	31 December 2021
Balance as at 1 January	**1,687**	**1,644**
Contributions in kind	-	44
Impairments	-	(1)
Balance as at 31 December	**1,687**	**1,687**

6 Loan receivable

In December 2021 the Company (as lender) and its subsidiary CETIN a.s. (as borrower) entered into an intra-group loan framework agreement under which CETIN a.s. utilised unsecured term loans amounting to EUR 625 million in aggregate. This loan is denominated in EUR, bears floating interest rate and is repayable in 2026.

As of 31 December 2022 and 2021 the gross balance of the intra-group loan receivable amounted to EUR 625 million. In 2022, the Company recognised an expected probability-weighted estimate of credit losses relating to the intra-group loan receivable amounting to

EUR 1 million (2021: below EUR 0.5 million). In 2022, all interest income presented in the income statement relates to this intra-group loan.

7 Cash and cash equivalents

All current accounts balances are EUR denominated, payable on demand and held by affiliated bank (a related party). Cash and cash equivalents are freely distributable.

8 Due to banks

Liabilities due to banks comprise the following:

In millions of EUR

	31 December 2022	31 December 2021
Unsecured loans – non-current	948	1,442
Unsecured loans – current	2	1
Total loans due to banks	**950**	**1,443**

In August 2021, the Company became a party to a term and revolving facilities agreement with a syndicate of banks. The Company then utilised bridge, term and incremental term loan facilities amounting to EUR 1,450 million in aggregate, which also remained outstanding as at 31 December 2021. Entering these facilities represented steps in the financing optimisation procedure the Company and its sole shareholder PPF Telecom Group B.V. performed during autumn 2021. Under this financing optimisation procedure, the Company's share premium was decreased by EUR 816 million.

In April 2022, CETIN Group N.V. issued senior notes with the total nominal amount of EUR 500 million (see next section) and used the proceeds to prepay the bridge (in full) and term loans. Consequently, the outstanding principal amounts of the loans as at 31 December 2022 were EUR 511 million for the term loan and EUR 444 million for the incremental term loan. All proceeds from this decrease were used to settle a part of PPF Telecom Group B.V.'s own loan facilities. The actual amount of outstanding loan liabilities stated in the table above is lower by unamortised fees and other transaction costs directly attributable to the origination of the loan facilities. These fees were capitalised and are amortised to finance costs using the effective interest rate method.

A committed revolving facility of EUR 200 million was undrawn as at 31 December 2022 and 2021.

As at 31 December 2022 the Company complied with the financial covenants imposed by its loan facilities. These loan facilities are unsecured.

Parameters of EUR-denominated loan facilities borrowed by the Company and outstanding as at 31 December 2022:

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

9 Debt securities issued

Debt securities issued comprise the following:

In millions of EUR

	Date of issue	Maturity	Fixed rate	31 December 2022
Unsecured bond (EUR 500 million)	April 2022	2027	3.13%	507
Total debt securities issued				**507**

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

In million of EUR	Due to banks	Debt securities issued	Share capital	Share premium	Total
Balance as at 1 January 2022	**1,443**	**-**	**-**	**738**	**2,181**
Loan drawdown	15	-	-	-	15
Interest paid	(15)	-	-	-	(15)
Proceeds debt securities	-	496	-	-	496
Loan repayment	(510)	-	-	-	(510)
Changes from financing cash flows	**(510)**	**496**	**-**	**-**	**(14)**
Other changes					
Capitalized expenses	-	(1)	-	-	(1)
Interest expense	17	12	-	-	29
Total other changes	**17**	**11**	**-**	**-**	**28**
Balance as at 31 December 2022	**950**	**507**	**-**	**738**	**2,195**

In million of EUR	Due to banks	Share capital	Share premium	Total
Balance as at 1 January 2021	**-**	**-**	**1,528**	**1,528**
Share premium increase	-	-	96	96
Share premium decrease	-	-	(930)	(930)
Loan drawdown	1,473	-	-	1,473
Interest paid	(1)	-	-	(1)
Changes from financing cash flows	**1,472**	**-**	**694**	**2,166**
Other changes				
Share premium increase	-	-	44	44
Capitalized expenses	(9)	-	-	(9)
Loan drawdown	474	-	-	474
Loan repayment	(464)	-	-	(464)
Interest expense	3	-	-	3
Effect of changes in FX rates	(33)	-	-	(33)
Total other changes	**(29)**	**-**	**44**	**15**
Balance as at 31 December 2021	**1,443**	**-**	**738**	**2,181**

11 Equity

11.1 Share capital

In EUR

	31 December 2022	31 December 2021
Authorised capital	45,000	45,000
Issued and fully paid up	45,000	45,000
Nominal value per share	0.12	0.12

The Company’s share capital is registered and issued in Euro. All shares rank equally with regards to the Company’s residual assets. The holder of ordinary shares is entitled to receive dividends as declared from time to time and is entitled to one vote per share at meetings of the Company.

Number of shares authorised, issued and fully paid is 375 thousand in both periods. All shares rank equally with regard to the Company’s residual assets. The holder of ordinary shares is entitled to receive dividends as declared from time to time and is entitled to one vote per share at meetings of the Company.

11.2 Share premium

Share premium is the amount by which the amount received by the Company in excess of par value of its shares. Share premium is freely distributable.

In 2021, the share premium was increased by EUR 140 million and reduced by EUR 930 million.

Of the share premium decrease an amount of EUR 834 million related to refinancing with a syndicated loan (refer to note 8). Of the share premium increase an amount of EUR 44 million related to the merger with PPF A3 B.V. (refer to note 5).

11.3 Reconciliation of the Company's equity to its consolidated equity

The difference between the Company's equity and its consolidated equity results from the fact that the Company presents its investments in subsidiaries at cost. In consolidated financial statements the subsidiaries are consolidated and their cumulative result is added to the consolidated equity. The Company's net result for 2022 is lower than the consolidated result by EUR 102 million as disclosed below (2021: higher by EUR 9 million), calculated as a difference between the Company's dividend income and the net result of subsidiaries for the period. The reconciliation of equity as per these separate financial statements and consolidated financial statements is shown below.

In millions of EUR

	Share capital	Share premium	Translation reserve	Other reserves	Retained earnings incl. unappropriated profit	**Total equity**
Individual balance as at 31 December 2022	**-**	**738**	**-**	**-**	**155**	**893**
Adjustment for:						
Historical to year-end FX rate		(45)				(45)
Dividend income					(131)	(131)
Net result of subsidiaries in 2022					233	233
Reserves related to subsidiaries	-	-	(9)	115	(113)	(7)
Consolidated balance as at 31 December 2022*	**-**	**693**	**(9)**	**115**	**144**	**943**

In millions of EUR

	Share capital	Share premium	Translation reserve	Other reserves	Retained earnings incl. unappropriated profit	**Total equity**
Individual balance as at 31 December 2021	**-**	**738**	**-**	**-**	**134**	**872**
Adjustment for:						
Historical to year-end FX rate		(98)				(98)
Dividend income					(218)	(218)
Net result of subsidiaries in 2021					209	209
Reserves related to subsidiaries	-	-	48	114	(113)	49
Consolidated balance as at 31 December 2021*	**-**	**640**	**48**	**114**	**12**	**814**

*Attributable to the equity holders of the parent

12 Dividend income

The composition of the Company's dividend income was as follows:

In millions of EUR, for the year ended 31 December

	2022	2021
CETIN a.s.	72	92
TMT Hungary Infra B.V.	16	34
CETIN Bulgaria EAD	15	44
CETIN d.o.o. Beograd-Novi Beograd	28	48
Total dividend income	**131**	**218**

13 Operating expenses

In millions of EUR, for the year ended 31 December

	2022	2021
Professional expenses	2	4
Financial expenses	1	1
Total operating expenses	**3**	**5**

Professional expenses represent. namely professional, legal and accounting services.

14 Finance costs

In millions of EUR, for the year ended 31 December

	2022	2021
Interest expense	26	3
Amortised origination fees	3	-
Total finance costs	**29**	**3**

15 Audit fee

The Company incurred expenses for the following fees provided by KPMG Accountants N.V., as referred to in Section 2:382a(1) and (2) of the Dutch Civil Code:

In thousands of EUR, for the year ended 31 December

	2022	2021
Audit of the financial statements	292	44
Other audit engagements	117	528
Other non-audit services	40	-
Total audit fee	**449**	**572**

16 Income tax

In millions of EUR, for the year ended 31 December

	2022	2021
Profit before tax	111	230
Non-taxable dividend	(131)	(218)
Non-deductible costs (other)	32	19
Non-taxable income	(13)	(17)
Utilised tax loss previous years	-	(14)
Profit / (Loss) taxable	**(1)**	**-**
15% up to TEUR 245 – (2021)	-	-
15% up to TEUR 395 – (2022)	-	-
25% over amounts above TEUR 245 – (2021)	-	-
25.8% over amounts above TEUR 395 – (2022)	-	-
Income tax expense	-	-

Unutilised tax losses for a total amount of EUR 25 million (2021: EUR 24 million) are not recognised as its future utilisation is uncertain.

17 Employees and directors

During the reporting period the Company did not employ any personnel. As of 31 December 2022 the Company has seven directors (31 December 2021: four directors). During 2022 and 2021 the directors of the Company were not entitled to any remuneration.

18 Related parties

The Company has a related party relationship with its direct shareholders, subsidiaries and affiliates (PPF banka a.s.). All transactions with related parties are disclosed in the individual disclosures above. Furthermore, the Management Board, plus the close family members of such personnel and other parties, which are controlled, jointly controlled or significantly influenced by such individuals and entities in which the individuals hold significant voting power are also considered related parties. The Company did not conclude any transaction with these related parties in 2022 and 2021.

19 Events after the reporting period

There are no events after the reporting period.

20 Profit appropriation for 2022

In 2022, the Company distributed dividend to its shareholder in total amount of EUR 90 million from the 2021 result (2021: EUR 212 million).

21 Confirmation

The Company´s financial statements for the year ended 31 December 2022 give a true and fair view of the Company´s financial condition and operations as at and for the year ended 31 December 2022.

22 March 2023

The board of directors:

Jan Kadaník
Chairman of the board of directors

Jan Cornelis Jansen
Member of board of directors

Marcel Marinus van Santen
Member of board of directors

Juraj Šedivý
Member of board of directors

Kamil Burganov
Member of board of directors

Rhys AP John Phillip
Member of board of directors

Jaime Smith Basterra
Member of board of directors

<u>Other information</u>

Profit appropriation

The allocation of profits accrued in a financial year shall be determined by the General Meeting of the Company. Distribution of profits shall be made after adoption of the annual accounts if permissible under the law given the contents of the annual accounts. The General Meeting may resolve to make interim dividends and/or to make (interim) distributions at the expense of any distributable reserve of the Company. Distributions may be made only up to an amount which does not exceed the amount of the distributable equity.

Offices

The company has an operating office in the Netherlands. For further details please refer to Note 1 of the financial statements.

Auditor's report

The auditor's report on the company financial statements is set out at the end of the annual report.

KPMG

Independent auditor's report

To: the General Meeting of Shareholders and the Audit Committee of CETIN Group N.V.

Report on the audit of the financial statements 2022 included in the annual accounts

Our opinion

In our opinion the accompanying financial statements give a true and fair view of the financial position of CETIN Group N.V. as at 31 December 2022 and of its result and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the financial statements 2022 of CETIN Group N.V. (the 'Company' or the 'Group') based in Amsterdam, the Netherlands.

The financial statements comprise:

1 the consolidated and company statement of financial position as at 31 December 2022;

2 the following consolidated and company statements for 2022: the statement of income and other comprehensive income, changes in equity and cash flows; and

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

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

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

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The information in respect of going concern, fraud and non-compliance with laws and regulations and the key audit matters was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

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

Information in support of our opinion

Summary

Materiality

Consolidated financial statements

- Materiality of EUR 32 million
- Based on total assets (0.9%)

Company financial statements

- Materiality of EUR 21 million
- Based on total assets (0.9%)

Group audit

- Audit coverage of 99.9% of total assets
- Audit coverage of 100% of revenue
- Audit coverage of 99.9% of profit before tax

Fraud/Noclar and Going concern

- Fraud & Non-compliance with laws and regulations (Noclar) related risks: presumed risk of management override of controls and risk of fraud in relation to manual journal entries to revenue and a risk of material misstatement over non-compliance with laws and regulations in relation to a regulatory proceeding with the European Commission.
- Going concern related risks: no going concern risks identified

Key audit matter

- Inaccurate valuation of goodwill

Opinion

Unqualified

Materiality

Based on our professional judgement we determined the materiality for the consolidated financial statements as a whole at EUR 32 million (2021: EUR 40 million) and for the company financial statements as a whole at EUR 21 million (2021:EUR 40 million).

The materiality for the consolidated financial statements is determined with reference to total assets (0.9%). We consider total assets as the most appropriate benchmark based on the nature of the business, the level of activities and focus of the users of the consolidated financial statements on total assets for the purpose of evaluating the Group's financial performance in the telecommunication infrastructure sector.

The materiality for the company financial statements is determined with reference to total assets (0.9%). We consider total assets as the most appropriate benchmark based on the nature of the business of the Company as a holding company without operational activities

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the consolidated and company financial statements for qualitative reasons.

We agreed with the Audit Committee that unadjusted misstatements identified during our audit in excess of EUR 1.6 million and EUR 1.05 million of the consolidated and company financial statements respectively, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

CETIN Group N.V. is at the head of a group of components. The financial information of this group is included in the financial statements of CETIN Group N.V.. The Group is structured along 4 segments: CETIN Czech Republic, CETIN Hungary, CETIN Bulgaria and CETIN Serbia.

Our group audit mainly focused on significant components based on Standard 600. These significant components are individually financially significant due to their relative size within the Group. In addition, we included one component in the scope of our group audit in order to arrive at a sufficient coverage over all relevant significant account balances.

This resulted in a full scope audit of 4 components with a total coverage of 100% of revenue, 99.9% of total assets and 99.9% of profit before tax. For the remaining population, procedures were performed at the group level including analytical procedures in order to corroborate our assessment that the risk in the remaining population is remote. This coverage is in line with our 2021 audit.

We sent audit instructions to all component auditors, covering significant areas including the relevant risks of material misstatement and set out the information required to be reported to the group audit team. All components in scope for group reporting purposes are audited by KPMG member firms, except for CETIN d.o.o. Beograd (Serbia) which is audited by EY Serbia.

The group audit team has set component materiality levels ranging from EUR 9 million to EUR 21 million, based on the mix of size and risk profile of the components within the Group. The consolidation of the Group, the disclosures in the financial statements and certain accounting topics are audited by the group audit team. The accounting matters on which audit procedures are performed by the group audit team include, but are not limited to, the assessment of the use of the going concern assumption, goodwill impairment testing, and equity.

We arranged in-person meetings with the most significant component auditor, CETIN Czech Republic. We communicated with all component auditors through written instructions, exchange of emails, remote audit file reviews and we held multiple conference calls and virtual meetings. During these calls and virtual meetings we discussed in more detail the planning and the risk assessment phase and the procedures performed including the findings and observations. Based on these calls and meetings we as group auditor assessed the sufficiency of the audit procedures performed by the component auditors.

By performing the procedures mentioned above at group components, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the financial statements.

The audit coverage as stated in the section summary can be further specified as follows:

Total assets	Revenue	Profit before tax
99.9%	100%	99.9%
Full scope audit	Full scope audit	Full scope audit

Audit response to the risk of fraud and non-compliance with laws and regulations

In the paragraphs code of conduct and safeguarding cyber security, digital and personal data of the directors' report, the board of directors describes its procedures in respect of the risk of fraud and non-compliance with laws.

As part of our audit, we have gained insights into the Group and its business environment and assessed the design and implementation of the Group's risk management in relation to fraud and non-compliance. Our procedures included, among other things, assessing the Group's code of ethics, whistleblowing policy and its internal audit procedures. Furthermore, we performed relevant inquiries with management and other relevant functions, such as Internal Audit and Legal Counsel. As part of our audit procedures, we:

- assessed other positions held by management board members and paid special attention to procedures and compliance in view of possible conflicts of interest;
- evaluated internal audit reports on indications of possible fraud and non-compliance;

— evaluated correspondence with telecom regulators as well as legal confirmation letters.

In addition, we performed procedures to obtain an understanding of the legal and regulatory frameworks that are applicable to the Group and identified the following areas as those most likely to have a material effect on the financial statements:

— competition law (reflecting the Group's past involvement in investigations by national competition authorities and the European Commission).

We, together with our forensics specialists, evaluated the fraud and non-compliance risk factors to consider whether those factors indicate a risk of material misstatement in the financial statements. This included a follow up on the regulatory proceeding with the European Commission which was closed during 2022.

Based on the above and on the auditing standards, we identified the following fraud risks that are relevant to our audit, including the relevant presumed risks laid down in the auditing standards, and responded as follows:

- **Management override of controls (a presumed risk)**

Risk:

Management is in a unique position to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Responses:

— We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness of internal controls that mitigate fraud and non-compliance risks, such as processes related to journal entries and estimates.

— We performed data analyses of high-risk journal entries related to non-recurring and/or non-standard manual journal entries recorded throughout the period, with specific attention to revenue postings and post-closing adjusting journal entries. Where we identified instances of unexpected journal entries or other risks through our data analytics, we performed additional audit procedures to address each identified risk, including inquiry and testing of transactions back to source information.

— We evaluated key estimates and judgements for bias by management, including retrospective reviews of prior years' estimates with respect to estimates such as: useful life of assets and goodwill impairment testing.

— We incorporated various elements of unpredictability in our audit, such as obtaining trade receivable and trade payable confirmations for counterparties with smaller value closing balances, and selecting a sample of payments after year-end with smaller values compared to prior year. These procedures were performed in addition to our standard audit procedures on these accounts.

- **Revenue recognition (a presumed risk)**

Risk:

In accordance with Dutch Standards on Auditing 240 there is a presumed fraud risk related to revenue recognition. It is presumed there are generally pressures or incentives on management to commit fraudulent financial reporting through inappropriate revenue recognition.

As a result of budget, KPI and rating agency requirements, there may be an increased pressure to achieve certain results, and pressure on management or operating personnel to meet financial targets.

There is an opportunity specifically related to manual intervention / manual top-side journal entries to Revenue. Therefore we have identified the risk of fraud over the existence of revenue to relate to manual journal entries to Revenue.

Responses:

- We evaluated the design and implementation of relevant anti-fraud controls;
- We performed substantive test of details procedures over manual journal entries to Revenue, including assessing the appropriateness of the applied revenue recognition method and reconciliation of the related party revenues to the underlying Mobile Services Agreements where deemed appropriate.

Our procedures to address the identified risks of fraud and risks of non-compliance with laws and regulations did not result in a key audit matter.

We communicated our risk assessment, audit responses and results to management and the Audit Committee.

Our audit procedures did not reveal indications and/or reasonable suspicion of fraud and non-compliance that are considered material to our audit.

Audit response to going concern

As explained in the basis of measurement section of note A.3 of the financial statements, the Board of Directors has performed its going concern assessment and has not identified any going concern risks. To assess the board's assessment, we have performed, inter alia, the following procedures:

- we considered whether the board's assessment of the going concern risks includes all relevant information of which we are aware as a result of our audit;
- we analysed the Company's financial position as at year-end and compared it to the previous financial year in terms of indicators that could identify significant going concern risks.

The outcome of our risk assessment procedures did not give reason to perform additional audit procedures on management's going concern assessment.

Our key audit matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matter to the Audit Committee. The key audit matter is not a comprehensive reflection of all matters discussed.

Inaccurate valuation of goodwill relating to the CGU of CETIN a.s.

Description

As at 31 December 2022, the goodwill in the Group amounts to EUR 579 million. This goodwill is allocated to a number of Cash Generating Units (CGUs) for which management is required to test the carrying value of goodwill for impairment annually or more frequently if there is a triggering event for testing. Based on our risk assessment procedures, we include a key audit matter over the valuation of goodwill of the CGU of CETIN a.s., due to the estimation uncertainty and consideration of sensitivities in the recoverable amount of this CGU.
No impairment of goodwill was recognised during 2022.

Our response

With involvement of our valuation specialist, our procedures to assess the valuation of goodwill relating the CGU of CETIN a.s. included, amongst others:

- Obtain an understanding of the management's annual impairment test, including evaluation of relevant internal controls designed by management to estimate the free cash flows and discount rates applied.
- Obtain management's cash flow forecasts and document and assess the key assumptions used by management.
- Inquire of key senior management to corroborate the assumptions applied in the forecasts and document the minutes of the inquiry meetings.
- Perform a retrospective review of the current year actual results as compared to the prior year forecasts in accordance with Dutch Standards on Auditing 540 guidance.
- Perform a re-estimation review of the current year forecasts, for FY 2023 – FY 2026, compared to the prior year forecasts for the same period.
- Assessment of the appropriateness of the methodology and mathematical accuracy of the calculations in the model.
- Assessment of management's goodwill impairment analysis with a focus on the assumptions to which the outcome of the impairment test is most sensitive, such as the

WACC and terminal growth rate used based on historical data and analysis of sensitivities.

— Assessment of the adequacy of the related disclosure in relation to the requirements of IAS 36.

Our observation

Based on our procedures relating to the valuation of goodwill of the CGU CETIN a.s. we consider management's key assumptions and estimates to be within a reasonable range. We determined that the related disclosures (note E.6.1) meet the requirements of EU-IFRS.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements; and
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code for the management report and other information.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

The Board of Directors is responsible for the preparation of the other information, including the information as required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were appointed by the General Meeting of Shareholders as auditor of CETIN Group N.V., as of the audit for the year 2018 and have operated as statutory auditor ever since that financial year.

Description of responsibilities regarding the financial statements

Responsibilities of the Board of Directors and the Audit Committee for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Board of Directors is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error. In that respect the Board of Directors, under supervision of the Audit Committee, is responsible for the prevention and detection of fraud and non-compliance with laws and regulations, including determining measures to resolve the consequences of it and to prevent recurrence.

As part of the preparation of the financial statements, the Board of Directors is responsible for assessing CETIN Group N.V.'s ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Board of Directors should prepare the financial statements using the going concern basis of accounting unless the Board of Directors either intends to liquidate CETIN Group N.V. or to cease operations, or has no realistic alternative but to do so. The Board of Directors should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements. The Audit Committee is responsible for overseeing CETIN Group N.V.'s financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

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 financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A further description of our responsibilities for the audit of the financial statements is included in the appendix of this auditor's report on the next page. This description forms part of our auditor's report.

Amstelveen, 22 March 2023

KPMG Accountants N.V.

F.A.M. Croiset van Uchelen RA

Appendix:
Description of our responsibilities for the audit of the financial statements

Appendix

Description of our responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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 the risk resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining 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 CETIN Group N.V.'s internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;
- concluding on the appropriateness of the Board of Directors' 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 CETIN Group N.V.'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 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 a company to cease to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We are solely responsible for the opinion and therefore responsible to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial statements. In this respect we are also responsible for directing, supervising and performing the group audit.

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

We provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.