CETIN

MEMBER OF PPF GROUP

CETIN GROUP N.V.

Annual accounts 2021

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Directors' Report

Description of the Company

CETIN Group N.V.
(formerly CETIN Group B.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" or the "Parent") 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. CETIN Group N.V. 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 the family of late Mr Petr Kellner, who deceased in March 2021. As of 31 December 2021, the ultimate controlling party with a 98.93% shareholding is Mrs Renáta Kellnerová, who was appointed an administrator of the inheritance of the late Mr Kellner authorised to manage all assets belonging to the inheritance.
Until December 2020, the Group consolidated only CETIN a.s. in Czechia, and its subsidiaries. In December 2020, the Group has been enlarged by addition of CETIN companies in Hungary, Bulgaria, and Serbia, and of their subsidiaries, that had been established in July 2020 through a spin-off from Telenor mobile operators in these countries.
In October 2021, PPF Telecom Group B.V., the Parent's sole shareholder, entered into a share purchase agreement to sell a 30% stake in the Parent to GIC, Singapore's sovereign wealth fund, subject to regulatory approval.
CETIN Group N.V. 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 Telenor 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 (CETIN Czechia) consists of the activities of 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 2021, the Group 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. CETIN Czechia divides its business activities into two main divisions: domestic network services and international transit services. Its largest customers include the O2 Czech Republic, T-Mobile Czech Republic and Vodafone Czech Republic. CETIN Czechia has separate funding through Eurobonds and has been rated Baa2 (stable outlook) and BBB (stable outlook) by Moody's and Fitch, respectively.

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. CETIN Hungary consists of the activities of CETIN Hungary Zrt. CETIN Hungary is owned by the TMT Hungary Infra B.V. holding company, in which as at 31 December 2021 the Group 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 Telenor 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. CETIN Bulgaria consists of the activities of CETIN Bulgaria EAD (CETIN Bulgaria). It is 100% owned by the Group and provides mobile network services on a wholesale basis to Telenor 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. 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 Telenor Serbia as its principal customer.

5. Unallocated Segment
The unallocated segment represents the holding entity CETIN Group N.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 a committed shareholder.

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

CETIN Group was established as a holding company for entities of the PPF Group active in the telecommunications infrastructure sector.
CETIN companies are wholesale providers of fixed and mobile telecommunications infrastructure to all telecommunications operators on equal and transparent footing. CETIN companies do not provide services directly to end users.

Main products and services
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 companies in Hungary, Bulgaria and 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 Czech Republic; 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 Czech Republic 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 Company reinvests in the development of network infrastructure for the provision of these services.

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

Main products and services

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

Mass fixed-line network services – 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 Telenor Hungary, Telenor Bulgaria and Telenor Serbia.

Group level

CETIN Group N.V. 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 at 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 and other aspects of their operations.

2021 highlights

In 2021, the Group showed sound operational and financial performance and continued developing its telecommunications assets.
In 2021 the Group has negotiated an amendment to Mobile Services Agreements (MSA) with its anchor customers, telecommunications operators from PPF Telecom Group, operating under O2 and Telenor brands, that guarantee the business for CETIN companies for a definite term until 31 December 2051. The amended MSAs will come into effect from 1 January 2022.

COVID-19 pandemic has not had a noticeable impact to the Group's operations during 2021. 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. All facilities of the Group were kept fully operational during the whole of 2021, despite periods of lockdowns. The Group was thus able to achieve its targets in the areas of business performance, investment activities and business development.

The Group's segments were focused on exploring synergies in their operating model, purchasing, network construction and system development.
CETIN Czechia, Hungary and 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.
CETIN Czechia continued upgrading its fixed network to NGA standards.

In February 2021, the shareholdings in CETIN companies in Hungary, Bulgaria and Serbia had been transferred to CETIN Group N.V., with legal effect as of 12 February 2021 and the accounting effect from 28 December 2020.
In September 2021, the Group increased its shareholding in CETIN Czechia to 100% through a merger with PPF A3 B.V., a PPF Group company, that had held a 10.27% stake in CETIN Czechia.
In September 2021, the Group has obtained investment grade ratings Baa2 (stable outlook) and BBB (stable outlook) by Moody's and Fitch, respectively. The Group has taken on significant new bank loans.
In October 2021, the Group agreed to sell a 30% stake in CETIN Group to GIC, Singapore's sovereign wealth fund. The transaction was successfully closed on 9 March 2022.

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 85% 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. In 2021, 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 1,197 thousand fixed access lines in operation at the end of the period, a growth of 1.8% year over year.

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

COVID-19 pandemic has not had a noticeable impact to the Group's operations during 2021.

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 45% and 80%, respectively, as the CETIN companies in Hungary, Bulgaria and Serbia were incorporated in the middle of 2020. On a like-for-like basis (CETIN Czechia segment only) the Group reported a slight decline in total revenues and a healthy growth of EBITDA, 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 2021 has grown substantially compared to 2020, due to the addition of CETIN companies in Hungary, Bulgaria and Serbia. On a like-for-like basis (CETIN Czechia segment only), depreciation, amortisation and impairment charges grew by 16% year over year, reflecting robust investment programme. The net profit of the Group has grown in step with EBITDA.

CETIN Czechia total revenues slightly declined in 2021 due mainly to international voice transit revenues, where the focus on fewer revenues with higher profit margins helps to moderate the ongoing decline of the segment. Domestic revenues, that are the decisive driver of earnings, have grown by 4.8% year over year. Growing gross margins mainly from mobile services and the fixed lines services translated in healthy EBITDA growth of 4.2% year over year, despite growing energy consumption related to network expansion, inflationary pressures on energy and labour prices.

Capital expenditure
In 2021, the Group acquired fixed assets totalling EUR 298 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 2021 has declined by 33% compared to the previous year, due to changes in financing, while the trade receivables remained at the same level.

Fixed assets
The total value of fixed assets of the Group grew slightly to EUR 3,322 million as at 31 December 2021, reflecting of a robust network development programme.

Tangible assets reached a net book value of EUR 2,250 million, having grown by 6% 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 689 million with additions mainly from own software development, offset by amortisation charges.

Right-of-use assets recorded at a net book value of EUR 358 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 EUR 625 million and CZK 4,866 million was utilised as of 1 January 2021.
In December 2021, the CETIN Czechia repaid its EUR 625 million Eurobond from the proceeds provided by the new term loans raised at CETIN Group level. CZK 4,866 million Eurobond due in 2023 remained the last outstanding part of the EMTN programme as of 31 December 2021.

New financing at CETIN Group level
In July 2021, CETIN Group N.V. has established new up to EUR 1,650 million term and revolving facilities from a group of banks, to optimise its capital structure

In September 2021, CETIN Group N.V. has utilised new term loans in an aggregate amount of EUR 825m under this agreement. The proceeds of EUR 816m were distributed as share premium to PPF Telecom Group. Additional EUR 625 million was utilised in December 2021 for repayment of CETIN Czechia's Eurobond.

The total consolidated indebtedness of CETIN Group N.V. thus doubled during 2021, standing at EUR 1.6 billion as at 31 December 2021. 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 0.9 billion as at 31 December 2021 having declined by EUR 0.8 billion during the year, mainly through the distribution of dividends and share premium to shareholders, partially offset by the net profit achieved in 2021.

The debt-to-assets ratio[1] increased from 0.52 to 0.75 and the debt-to-equity ratio[2] grew from 1.09 to 3.12.

Profit distribution and other payments to shareholders
The consolidated net profit of the Group in 2021 reached EUR 242 million, offsetting the EUR 36 million of accumulated losses from previous years. During 2021, CETIN Group paid EUR 205 million and EUR 816 million in dividends and share premium distribution, respectively, to its shareholders, while non-controlling shareholders received EUR 21 million in dividends.

Cash flows
Consolidated net cash from operating activities of the Group reached EUR 537 million, growing mainly due to the contribution from the subsidiaries newly consolidated in 2021[3]. Net cash used in investing activities consisted mainly of EUR 245 million investments in the development of the telecommunications infrastructure. Free cash flows[4] reached EUR 297 million.

Net proceeds from bank loans and securities[5] in 2021 were EUR 806 million, comprising proceeds from new bank loans at CETIN Group level, EUR 1,450 million in total, that were raised to optimise the Group's capital structure and to refinance CETIN Czechia EUR 625 million bond, that was repaid in December 2021.

After net interest payments and lease payments of EUR 81 million, the total 2021 cash flows before distributions to shareholders added up to EUR 1,000 million. The Group distributed EUR 226 million to shareholders as dividends and EUR 816 million as share premium.

The closing cash position of the Group of EUR 83 million has declined by a third during 2021.

For detailed information, see the accompanying consolidated statement of cash flows for the financial year ended on 31 December 2021.

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

[1] Debt to assets = total liabilities/total assets
[2] Debt to equity = total liabilities/owners' equity
[3] CETIN Hungary, Bulgaria, and Serbia
[4] Free cash flows = net cash from operating activities plus net cash used in investing activities
[5] 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.

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 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

The Parent company has no employees and therefore no organisational structure. All Group employees are employed by the subsidiaries of CETIN Group N.V.

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, 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 2021.

Name	Position	Commencement of Current Term of Office
Filip Cába	Chief financial officer	1 July 2020
Tamás Ötvös	Chief technology officer	1 July 2021
Štefan Szabó	Commercial strategy director	1 September 2021
Lenka Výborná	HR strategy director	1 March 2021

Staff development
The average number of employees increased substantially in 2021 due to the addition of CETIN Hungary, Bulgaria and Serbia. On a like-for-like basis (CETIN Czechia only), the average number of employees during 2021 remained stable, having grown 3% 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 CETIN Group N.V. 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 2021 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 and audit committee

The Parent Company has a one-tier management structure consisting of its board of managing directors (*bestuur* in Dutch) (the "Management Board"). The Management Board represents the Parent Company in all matters and is charged with its day-to-day business management. The Parent Company has no administrative, management or supervisory body other than the Management Board.
In March 2022, the Parent Company's Articles of Association have changed. The changes are described in the **Events after the reporting period** section of this report.

Management Board

The Management Board is the Parent Company's statutory body, which directs its operations and acts on its behalf. The Parent Company's general meeting (the "General Meeting") elects the members of the Management Board for a term of office determined by the General Meeting at its sole discretion. Re-election of the members of the Management Board is permitted. Pursuant to the Parent Company's Articles of Association (*statuten* in Dutch) (the "Articles of Association"), the Management Board has at least one member. All four members of the Management Board are executives.

All members of the Management Board 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. Pursuant to the Articles of Association, the members of the Management Board are authorised to solely and independently represent the Parent Company.

The following table sets forth the members of the Management Board appointed as at 31 December 2021:

Name	Position	Commencement of Current Term of Office
Juraj Šedivý	Chief executive officer and managing director	1 July 2020
Jan Kadaník	Chairman of the management board and managing director	1 July 2020
Jan Cornelis Jansen	Managing director	23 January 2016
Marcel Marinus van Santen	Managing director	23 January 2016

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

Composition of the Management Board

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

Audit committee

As the Group's securities are not traded on a regulated market, the Group is not a Public Interest Entity and as such does not have established an audit committee.

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.

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 2021 was related to trade receivables from the corporate sector, with 51% stemming from Czechia and another 37% 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 2021.

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. 40% of the Group's debt is due in the next 2 years, 57% 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 and Bulgarian levs. 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.

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

In 2021 and 2020, the cash flow hedges of CETIN Czechia were effective, and no ineffectiveness was recognised in profit or loss.

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

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

Events after the reporting period

During 2021, the Group concluded amendments to the MSAs with its anchor customers, prolonging the contacts till 31 December 2051. The amendments are effective from 1 January 2022. Under the new condition, the annual base fee for the next 10 years totals EUR 482 million. All MSA arrangements are concluded at arm's length conditions.

On 9 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 B.V. The changes mainly concern the composition of the Management Board.

Management Board from 9 March 2022

The Management Board is the Parent Company's statutory body, which directs its operations and acts on its behalf. The Parent Company's general meeting of shareholders (the "General Meeting") elects the members of the Management Board and may at any time suspend or remove any member. Re-election of the members of the Management Board is permitted. Pursuant to the Parent Company's Articles of Association (*statuten* in Dutch) (the "Articles of Association"), the Management Board consists of one or more managing directors., the Management Board has seven managing directors, of which four are nominated by PPF Telecom Group B.V., two by Roanoke Investment Pte Ltd, and one managing director shall be independent, nominated jointly by both shareholders.

All members of the Management Board 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. CETIN Group can be represented the Management Board and by two managing directors acting jointly, or by granting a power of attorney to one or more natural persons and/or legal entities to represent CETIN Group and determine the scope of authority.

The following table sets forth the composition of the Management Board appointed as at the date of this report:

Name	Position	Commencement of Current Term of Office
Juraj Šedivý	Chief executive officer and managing director	1 July 2020
Jan Kadaník	Chairman of the management board and managing director	1 July 2020
Jan Cornelis Jansen	Managing director	23 January 2016
Marcel Marinus van Santen	Managing director	23 January 2016
Kamil Burganov	Managing director	9 March 2022
James Andrew Dench	Managing director	9 March 2022

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

21 March 2022

The board of directors:

Jan Cornelis Jansen *Member of the board of directors*	Jan Kadaník *Member of the board of directors*
Marcel Marinus van Santen *Member of the board of directors*	Juraj Šedivý *Member of the board of directors*
Kamil Burganov *Member of the board of directors*	Andrew James Dench *Member of the board of directors*

CETIN Group N.V.

(formerly CETIN Group B.V.)

Consolidated financial statements for the year ended 31 December 2021

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Glossary

AC	- amortised cost
CAPEX	- capital expenditures
CEE	- Central and Eastern Europe
CF	- cash-flow
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	2021	2020
Domestic revenue	E1	802	455
International transit revenue	E1	234	259
Total revenue		**1,036**	**714**
Other income from non-telecommunication services		10	9
Personnel expenses	E2	(67)	(48)
Other operating expenses	E2	(377)	(342)
Operating profit excluding depreciation, amortisation and impairments		**602**	**333**
Depreciation of property, plant and equipment	E5	(228)	(135)
Depreciation on lease-related right-of-use assets		(58)	(27)
Amortisation of intangible assets	E6.2	(23)	(19)
Impairment loss on PPE and intangible assets	E5	(8)	(4)
Operating profit		**285**	**148**
Interest income		-	1
Net foreign currency gains/(losses)		39	(7)
Interest expense on lease liabilities	E18	(11)	(6)
Other interest expense		(20)	(14)
Other finance cost		(3)	-
PROFIT BEFORE TAX		**290**	**122**
Income tax expense	E4.1	(48)	(24)
NET PROFIT FOR THE PERIOD		**242**	**98**
Other comprehensive income/(expense)*			
Currency translation differences		26	(28)
Disposal subsidiaries		2	-
Cash flow hedge – effective portion of changes in fair value		(18)	(3)
Cash flow hedge - net change in fair value reclassified to profit or loss		13	(17)
Income tax related to components of other comprehensive income/expense		-	4
Other comprehensive income/(expense), net of tax		**23**	**(44)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**265**	**54**
Net profit attributable to:			
Owners of the Parent		221	88
Non-controlling interests	E17	21	10
Net profit for the period		**242**	**98**
Total comprehensive income attributable to:			
Owners of the Parent		245	48
Non-controlling interests	E17	20	6
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**265**	**54**

*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 2021	31 December 2020
ASSETS			
Property, plant and equipment	E5	2,250	2,123
Other intangible assets	E6.2	100	85
Goodwill	E6.1	589	586
Right-of-use assets	E18.1	358	356
Other assets	E8	23	16
Deferred tax assets	E4.2	2	1
Non-current assets		**3,322**	**3,167**
Trade and other receivables	E7.2	147	145
Other financial assets	E7	4	16
Inventories		4	3
Other assets	E8	28	13
Cash and cash equivalents	E9	83	124
Current assets		**266**	**301**
TOTAL ASSETS		**3,588**	**3,468**
LIABILITIES			
Due to banks	E10	1,146	-
Debt securities issued	E11	195	185
Lease liabilities	E19	305	312
Trade and other payables	E13	61	63
Provisions	E14	44	57
Deferred tax liabilities	E4.2	237	231
Non-current liabilities		**1,988**	**848**
Due to banks	E10	297	-
Debt securities issued	E11	-	625
Financial liabilities at FVTPL	E7.1	3	11
Lease liabilities	E19	60	49
Trade and other payables	E13	338	258
Provisions	E14	5	7
Current income tax liability		11	7
Current liabilities		**714**	**957**
TOTAL LIABILITIES		**2,702**	**1,805**
Issued capital*	E15	-	-
Share premium	E15	640	1,456
Other reserves	E16.1	48	95
Retained earnings/(accumulated losses)		126	(36)
Total equity attributable to owners of the Parent		814	1,515
Non-controlling interests	E17	72	148
Total equity		**866**	**1,663**
TOTAL LIABILITIES AND EQUITY		**3,588**	**3,468**

*2021: Issued capital is EUR 46 thousand (2020: EUR 1 thousand).

Consolidated statement of changes in equity

In millions of EUR

	Issued capital*	Share premium	Translation reserve	Hedging reserve	Other reserves	Retained earnings/ (Accumulated losses)	Attributable to owners of the Parent	Attributable to NCI	Total
Balance as at 1 January 2021	-	**1,456**	**20**	**4**	**71**	**(36)**	**1,515**	**148**	**1,663**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**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 fo subsidiaries	-	-	2	-	-	-	2	-	2
Tax on items taken directly to transferred from equity	-	-	-	-	-	-	-	-	-
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 B2.1)	-	-	-	-	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**

*2021: Issued capital is EUR 46 thousand (2020: EUR 1 thousand).

In millions of EUR

	Issued capital*	Share premium	Translation reserve	Hedging reserve	Other reserves	Retained earnings/ (Accumulated losses)	Attributable to owners of the Parent	Attributable to NCI	Total
Balance as at 1 January 2020	**-**	**484**	**61**	**18**	**71**	**192**	**826**	**82**	**908**
Profit for the period	**-**	-	-	-	-	88	88	10	98
Currency translation differences	-	-	(26)	-	-	-	(26)	(2)	(28)
Cash flow hedge - effective portion of changes in fair value	-	-	-	(3)	-	-	(3)	-	(3)
Cash flow hedge – net change in fair value reclassified to profit or loss	-	-	-	(15)	-	-	(15)	(2)	(17)
Income tax related to components of OCI	-	-	-	4	-	-	4	-	4
Other comprehensive expense for the period	**-**	**-**	**(26)**	**(14)**	**-**	**-**	**(40)**	**(4)**	**(44)**
Total comprehensive income	**-**	**-**	**(26)**	**(14)**	**-**	**88**	**48**	**6**	**54**
Dividends to shareholders	-	-	-	-	-	(95)	(95)	-	(95)
Dividends to NCI	-	-	-	-	-	-	-	(11)	(11)
Effect of the acquisition under common control - Group restructuring (refer to B2.2)	-	972	(15)	-	-	(223)	734	71	805
Other	-	-	-	-	-	2	2	-	2
Total transactions with owners of the Parent	-	**972**	**(15)**	**-**	**-**	**(316)**	**641**	**60**	**701**
Balance as at 31 December 2020	**-**	**1,456**	**20**	**4**	**71**	**(36)**	**1,515**	**148**	**1,663**

*Issued capital is EUR 1 thousand.

Consolidated statement of cash flows

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

In millions of EUR

	Note	2021	2020
Cash flows from operating activities			
Profit before tax		290	122
Adjustments for:			
Depreciation and amortisation		309	181
Impairment losses on current and non-current assets		8	4
Profit on sale of property, plant and equipment		(1)	(3)
Loss on financial assets		3	-
Net finance (income)/costs		31	19
Net foreign exchange rate changes		(39)	7
Other non-cash items		(1)	3
Net operating cash flow before changes in working capital		**600**	**333**
Change in trade and other receivables		7	32
Change in trade and other payables		14	(43)
Change in inventories and other assets		(18)	(1)
Change in provisions		(15)	2
Cash generated from operating activities		**588**	**323**
Income tax paid		(51)	(19)
Net cash from operating activities		**537**	**304**
Cash flows from investing activities			
Purchase of tangible and intangible assets	E5, E6.2	(245)	(169)
Net cash acquired on Group restructuring	B2.3	-	70
Proceeds from disposals of tangible and intangible assets		4	7
Net cash used in investing activities		**(241)**	**(92)**
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	1,878	-
Payment of debt securities	E11	(622)	-
Repayment of loans due to banks and other financial institutions	E10	(450)	-
Net payments on settlement of derivatives		(34)	-
Interest paid		(16)	(12)
Interest paid from lease liabilities		(12)	(6)
Cash payments for principal portion of lease liability	E19	(53)	(25)
Cash collateral placed due to derivatives transactions		12	(6)
Interest received from hedging derivative		-	1
Dividends paid to shareholders		(205)	(95)
Dividends paid to NCI	E17	(21)	(11)
Net cash (used in)/from financing activities		**(339)**	**(154)**
Net increase/(decrease) in cash and cash equivalents		**(43)**	**58**
Cash and cash equivalents as at 1 January		**124**	**68**
Effect of exchange rate changes on cash and cash equivalents		2	(2)
Cash and cash equivalents as at 31 December	E9	**83**	**124**

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 the 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 2021, the Parent Company is a 100% owned subsidiary of PPF Telecom Group B.V. The ownership structure changed significantly after the reporting date (for details refer to G.2).

The consolidated financial statements of the Parent Company for the year ended 31 December 2021 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 2021 and 2020.

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.

As of 31 December 2021, PPF Group N.V. was the ultimate parent of the Parent Company and the ultimate controlling party is Mrs Renata Kellnerová who was appointed, during 2021, as an administrator of the inheritance of the late Mr Kellner authorised to manage all the assets belonging to the inheritance in ordinary course of business.

A.2. Statement of compliance

The consolidated financial statements were authorised for issue by the board of directors on 21 March 2022.

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 2021, 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

These are the first consolidated financial statements of CETIN Group N.V. prepared in accordance with *IFRS 1 First-time adoption of the International Financial Reporting Standards*. Date of the transition is 1 January 2018. As the Group has adopted IFRS-EU later than its parent company PPF Telecom Group B.V., the guidance of IFRS1.D16(a) has been applied and the special purpose consolidated financial statements have been prepared using the "predecessor accounting method". The Group has applied the same accounting policies, valuation methods and carrying amounts for the preparation of these consolidated financial statements as those applied by the Group companies for the preparation of the financial information included in PPF Telecom Group B.V. consolidated financial statements.

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). From 1 January 2020, 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.14);
- contingent assets and liabilities (refer to E.20);
- 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.18).

A judgement was also applied when assessing the moment of obtaining the control over the entities within the business restructuring process (refer to B.2).

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

As set out in E.20, the Group is a participant in several lawsuits and administrative proceedings, including those related to its pricing policies. 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 are identified under IFRS 16 from these amendments, and services provided by the Group under these amended contracts will be 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.

The functional currency of the Parent Company, which is based in the Netherlands, is CZK. The functional currency of CETIN a.s. (hereinafter "CETIN CZ") is CZK. The functional currencies of the CETIN CEE operations correspond to the country of origin: HUF for Hungary, BGN for Bulgaria, RSD for Serbia. TMT Hungary Infra, the holding company based in the Netherlands, has HUF as its functional currency.

The Group's presentation currency differs from the functional currency of the Parent. The Group decided to apply a different presentation currency to improve comparability of its the consolidated financial statements with those of similar groups generally applying EUR as presentation currency. EUR is also the local currency in the Netherlands, which is the domicile country of the Parent and of the Group's ultimate parent company.

A.7. COVID-19 and its impact on the Group's financial statements

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

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 2021 and 31 December 2020.

Company	Domicile	Effective proportion of ownership interest	
		31 December 2021	31 December 2020
CETIN Group N.V.*	Netherlands	Parent Company	Parent Company
CETIN a.s.	Czech Republic	100.00%	89.73%
CETIN Finance B.V.	Netherlands	100.00%	89.73%
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%
Telenor Common Operation Zrt.**	Hungary	-	100.00%

*change of legal form from the private limited liability company *(besloten vennootschap "B.V.")* to the public limited liability company (naamloze vennootschap "N.V.") in September 2021.
**liquidated in July 2021

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

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

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.

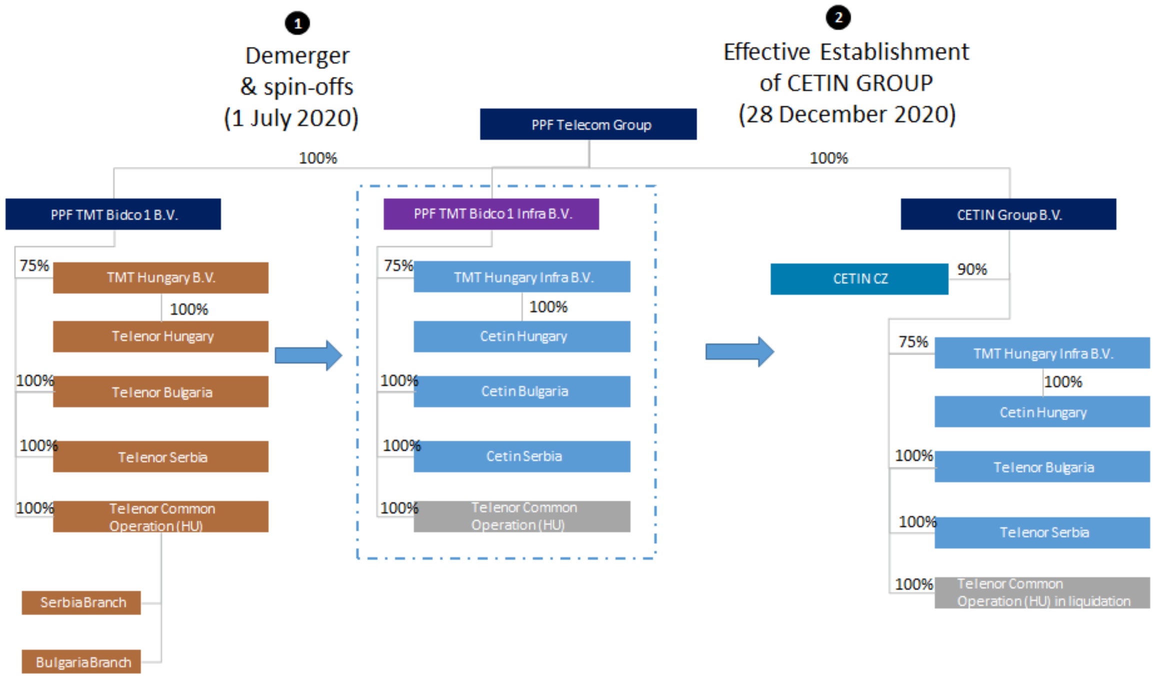
B.2.2. Group restructuring (in 2020)

Prior to the legal incorporation of CETIN entities in Hungary, Bulgaria and Serbia, the telco infrastructure activities were managed as a part of the Telenor legal entities in these countries which were acquired by PPF Telecom Group B.V. in August 2018.

Through this acquisition, PPF Telecom Group B.V. expanded its telecommunications portfolio also to these countries, more than doubled its operations, and became a major telecommunications provider in the wider CEE region. The initial focus of PPF Telecom Group B.V. following the acquisition was on the separation of the Telenor CEE Group from the Telenor Group in terms of management, technologies, IT and other corporate services, as well as stabilising the companies, launching operational efficiency programmes and achieving cross-border synergies.

On 1 July 2020, the PPF Telecom Group B.V. completed the separation of the retail and infrastructure activities in three of its Telenor-branded mobile operators in Hungary, Bulgaria and Serbia by spin-off of telco infrastructure business into separate legal entities. The newly established companies are CETIN Hungary (with its direct holding entity TMT Hungary Infra), CETIN Bulgaria and CETIN Serbia.

In December 2020, following relevant contractual arrangements, the Group finalised the restructuring by obtaining the control, as defined by IFRS 10, over and included all newly established CETIN companies under CETIN Group N.V. (formerly as CETIN Group B.V. and further below in this B.2 section), into which PPF TMT Bidco 1 Infra B.V. merged as a disappearing company. The ownership structure has not changed. The reorganisation process and the current structure of CETIN Group B.V. is shown on the graph below:



The restructuring comprised a demerger and a merger, only representing however legal steps to reach the goal of the whole restructuring process, which was the establishment of CETIN GROUP with its subsidiaries. As the legal effective date of the merger of PPF TMT Bidco 1 Infra B.V. (the disappearing) and CETIN Group B.V. (the surviving) was 12 February 2021 (i.e. subsequently to the latest reporting period presented), the Group thoroughly assessed whether it controlled PPF TMT Bidco 1 Infra B.V. as at 31 December 2020. Considering the set-up of the restructuring as described above and an agreement between CETIN Group B.V. and PPF Telecom Group B.V. dated 28 December 2020, providing CETIN Group B.V. the power over the relevant activities of PPF TMT Bidco 1 infra B.V. as well as all benefits related to the shares in PPF TMT Bidco 1 Infra B.V. fully held by PPF Telecom Group B.V., the Group concluded that, in accordance with IFRS 10, CETIN Group B.V. effectively obtained control over PPF TMT Bidco 1 Infra B.V. and its subsidiaries on 28 December 2020.

As the restructuring of the Group was finalised in December 2020, any revenues, expenses, profits or losses, and cash-flows of the entities subject to restructuring are presented in the Group's consolidated financial statement accordingly. Thus, these aforementioned financial figures had no impact on the comparative periods presented in the consolidated year-end statement of income and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and the respective related notes and disclosures. Therefore, a user of these condensed consolidated year-end financial statements might notice significant variances between the current and comparative figures providing information and disclosures relating to the financial statements captions mentioned above in the this paragraph.

CETIN Hungary Zrt. operations

CETIN Hungary Zrt. (CETIN Hungary) has been incorporated on 1 July 2020 as a spin-off of the active and passive mobile infrastructure assets of Telenor Hungary. CETIN Hungary is owned by TMT Hungary Infra B.V. (a holding company), in which the Group owns a 75% share. The remaining 25% minority share is owned by Antenna Hungária Zrt. (the Hungarian leading state-owned telecommunication services provider). CETIN Hungary provides mobile network services on a wholesale basis to Telenor Hungary as its principal customer.

CETIN Bulgaria EAD operations

CETIN Bulgaria EAD (CETIN Bulgaria) has been incorporated on 1 July 2020 as a spin-off of the active and passive mobile infrastructure assets of Telenor Bulgaria. The Group owns a 100% share in CETIN Bulgaria. CETIN Bulgaria provides mobile network services on a wholesale basis to Telenor Bulgaria as its principal customer.

CETIN Serbia d.o.o. Beograd operations

CETIN Serbia d.o.o., Belgrade (CETIN Serbia) has been incorporated on 1 July 2020 as a spin-off of the active and passive mobile infrastructure assets and wholesale business of Telenor Serbia. The Group owns a 100% share in CETIN Serbia. CETIN Serbia provides mobile network services on a wholesale basis to Telenor Serbia as its principal customer.

Telenor Common Operation Zrt.

Telenor Common Operation Zrt. Hungary (Telenor Common Operation) has been incorporated on 18 June 2013. As its main activity it provided various ancillary technology services to other former Telenor entities controlled by PPF Telecom Group B.V. Currently, with the spin-off of infrastructure from Telenor entities, Telenor Common Operation transferred its local activities to CETIN Hungary, CETIN Bulgaria and CETIN Serbia. As at 31 December 2020, Telenor Common Operation was in the process of liquidation and ceased to legally exist on 26 July 2021.

B.2.3. Impact of acquisition under common control (in 2020)

As the Group, with the above-described Group restructuring, acquired control over the entities previously owned by another entity having the same ultimate controlling party as CETIN Group B.V. itself, the Group assessed this transaction as a business combination under common control. As the business combinations under common control are outside the scope of *IFRS 3 Business Combinations*, the Group applied the "predecessor accounting method" and included the acquired assets and liabilities assumed at their carrying amounts previously recognised in the financial information prepared for the purposes of PPF Telecom Group B.V. consolidated financial statements (the previous owner of the entities acquired). Accordingly, no fair value adjustments arose with this acquisition and no additional goodwill has been recognised either, except for the original goodwill previously recognised with Telenor acquisition in 2018 attributable to the telco-infrastructure business spun-off to CETIN entities acquired by the Group. The assets acquired, liabilities assumed, and the impact of the acquisition on the Group's equity resulting from this transaction under common control recognised on 28 December 2020 is presented in the below table:

In millions of EUR

	CETIN Hungary*	CETIN Bulgaria	CETIN Serbia	Total
ASSETS				
Property, plant and equipment	101	118	101	320
Intangible assets	5	7	3	15
Goodwill	186	104	188	478
Right-of-use assets	72	47	49	168
Deferred tax assets	-	-	1	1
Non-current assets	**364**	**276**	**342**	**982**
Trade and other receivables	14	9	10	33
Cash and cash equivalents	33	25	12	70
Other assets	1	-	-	1
Current assets	**48**	**34**	**22**	**104**
TOTAL ASSETS	**412**	**310**	**364**	**1,086**
LIABILITIES				
Deferred tax liabilities	-	6	-	6
Lease liabilities	62	40	47	149
Trade and other payables	-	1	-	1
Provisions	26	5	11	42
Non-current liabilities	**88**	**52**	**58**	**198**
Current income tax liability	1	1	-	2
Lease liabilities	11	7	-	18
Trade and other payables	27	18	15	60
Provisions	2	-	1	3
Current liabilities	**41**	**26**	**16**	**83**
TOTAL LIABILITIES	**129**	**78**	**74**	**281**
NET ASSETS ACQUIRED (a)	**283**	**232**	**290**	**805**
Cost of entities contributed into share premium (b)	360	287	325	972
Non-controlling interests acquired (c)	71	-	-	71
Changes in equity attributable to owners of the Parent resulting from the acquisition under common control**	**(148)**	**(55)**	**(35)**	**(238)**
Consideration paid	-	-	-	-
less: cash acquired	33	25	12	70
Net cash acquired	33	25	12	70

*including TMT Hungary Infra B.V. and Telenor Common Operation Zrt.
**determined as negative: (b) *minus* [(a) minus (c)]

The above entities acquired under common control transaction were contributed to the Parent Company as share premium increase of EUR 972 million. No cash consideration for the acquisition was paid.

Changes in equity attributable to owners of the Parent resulting from the acquisition under common control comprise the accumulated translation loss of EUR 15 million transferred from the previous owner with the application of book-value accounting as described above, and net impact resulting from the difference between the cost of the entities contributed and net assets acquired. This net impact totalling EUR 223 million is presented as a decrease of retained earnings in the consolidated statement of changes in equity in 2020.

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

	2021	2021	2020	2020
Economic concentration				
Corporate sector	149	63.14%	145	50.88%
Financial services	87	36.86%	140	49.12%
Total	**236**	**100.00%**	**285**	**100.00%**
Geographic concentration				
Czech Republic	120	50.85%	146	51.23%
Hungary	40	16.95%	48	16.84%
Bulgaria	25	10.59%	43	15.09%
Serbia	22	9.32%	14	4.91%
Slovakia	2	0.85%	1	0.35%
Russian Federation	2	0.85%	-	-
Other EU countries	12	5.10%	18	6.32%
Other countries	13	5.49%	15	5.26%
Total	**236**	**100.00%**	**285**	**100.00%**
Of which:				
Trade and other receivables (E.7.2)	147	62.29%	145	50.88%
Cash and cash equivalents (E.9)	83	35.17%	124	43.51%
Receivables due from banks (E.7.1)	4	1.69%	16	5.61%
Specific deposits and other specific receivables (E.8)	2	0.85%	-	-
Total	**236**	**100.00%**	**285**	**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 2021 and the comparative period.

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**	

In millions of EUR, as at 31 December 2020

	Weighted-average loss rate	**Gross amount**	**Loss allowance**	**Carrying amount**	**Credit-impaired**
Current (not past due)	0.0%	125	-	125	No
1-90 days	0.0%	10	-	10	No
91-180 days	9.1%	11	(1)	10	Yes
more than 180 days past due	100.0%	3	(3)	-	Yes
Total	**-**	**149**	**(4)**	**145**	

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 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)**

In July 2020, the Group received commitments from wide group of relationship banks for committed unsecured credit facility of EUR 625 million, which should have served as the liquidity back-up for CETIN CZ's EUR 625 million Eurobonds maturing in December 2021. In 2021, the Group terminated these commitments as they were no longer necessary due to refinancing of bank loans described in E.10. A part of the bank facilities of EUR 296 million is presented in the above table with maturity between 3 months and 1 year, however, the Group has a prolongation option until 2023 which it intends to use (refer to E.10).

The following tables show exposure to liquidity risk (discounted view) as at 31 December 2020:

In millions of EUR, as at 31 December 2020

	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	-	16	-	-	-	16
Trade and other receivables*	142	3	-	-	-	145
Cash and cash equivalents	124	-	-	-	-	124
Total financial assets	**266**	**19**	**-**	**-**	**-**	**285**

*including specific deposits and other specific receivables

In millions of EUR, as at 31 December 2020

	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	-	625	-	185	-	810
Financial liabilities at FVTPL	-	11	-	-	-	11
Trade and other payables*	158	41	1	1	-	201
Lease liabilities	13	36	51	143	118	361
Total financial liabilities	**171**	**713**	**52**	**329**	**118**	**1,383**

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

Net liquidity position 2020	**95**	**(694)**	**(52)**	**(329)**	**(118)**	**(1,098)**

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 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**

In millions of EUR, as at 31 December 2020

	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	-	637	2	187	-	826
Lease liabilities	15	40	57	157	137	406
Total	**15**	**677**	**59**	**344**	**137**	**1,232**

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 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)**

In millions of EUR, as at 31 December 2020

	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	0.1%	-	16	-	-	-	16
Trade and other receivables*	-	142	3	-	-	-	145
Cash and cash equivalents	-	124	-	-	-	-	124
Total financial assets		**266**	**19**	**-**	**-**	**-**	**285**

*including specific deposits and other specific receivables

In millions of EUR, as at 31 December 2020

	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	1.5%	-	625	-	185	-	810
Trade and other payables*	-	158	41	1	1	-	201
Lease liabilities	2.5%	13	36	51	143	118	361
Total financial liabilities		**171**	**702**	**52**	**329**	**118**	**1,372**

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

Net position 2020	**95**	**(683)**	**(52)**	**(329)**	**(118)**	**(1,087)**

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 and Bulgarian levs. 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 other than in local currency is excluded.

In millions of EUR, as at 31 December 2021

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

In millions of EUR, as at 31 December 2020

	CZK	HUF	BGN	RSD	Total
Net investment in foreign operations	1,531	284	212	290	2,317

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 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)**

In millions of EUR, as at 31 December 2020

	EUR	USD	Total
Financial assets	63	11	74
Financial liabilities	716	12	728
Effect of FX derivatives	550	-	550
Net FX position	**(103)**	**(1)**	**(104)**

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 2021 and 2020 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 2021	(80)	(15)	(12)	(14)
Effect of 5% currency appreciation against EUR in 2021	80	15	12	14
Effect of 5% currency depreciation against EUR in 2020	(77)	(14)	(11)	(15)
Effect of 5% currency appreciation against EUR in 2020	77	14	11	15

C.3.3. Hedging

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

In 2021 and 2020, the cash flow hedges of CETIN CZ were effective, and no ineffectiveness was recognised in profit or loss.

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

C.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: techniques using inputs that have a significant effect on the recorded fair value and are not based on observable market data.

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.

The fair value of derivative financial instruments is calculated based on discounted cash flow models (using market rates). The carrying amount of financial assets and financial liabilities (except for those presented in the below table) not measured at fair value is a reasonable approximation of its fair value, since financial assets and liabilities are composed mainly of current trade receivables and payables, cash and cash equivalents.

The fair values of the following financial instruments differ from their carrying amounts shown in the consolidated statement of financial position in 2021 and 2020:

In millions of EUR

	2021 Carrying amount	2021 Fair value	2020 Carrying amount	2020 Fair value
Debt securities issued (Level 2)	195	185	810	816

The Group's fair-value estimates for its other financial assets and liabilities are not materially different from their carrying values.

The Group uses the following determination of fair value prices: based on quoted market prices (Level 1); calculated using valuation techniques where all the model inputs are observable in the market (Level 2); or calculated using valuation techniques where significant model inputs are not observable in the market (Level 3). In 2021 and 2020, fair values for all financial assets and liabilities at FVTPL were determined based on the Level 2.

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 2021 and 2020.

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 (2020: negative EUR 11 million) do not include any offset amounts.

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 (since December 2020)	Telco infrastructure	Hungary
CETIN Bulgaria (since December 2020)	Telco infrastructure	Bulgaria
CETIN Serbia (since December 2020)	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 the segments. Significant non-cash expenses for the year ended 31 December 2021 and 2020 comprise mainly impairment losses on trade and other receivables, impairment losses on property, plant and equipment and impairment losses on other assets. Eliminations represent intercompany balances among individual reporting segments. As explained at the end of B.2.2, the comparative figures for the period ending 31 December 2020 are nil except for CETIN CZ and Unallocated segments.

The total segment revenue for the year ended 31 December 2021 amounting to EUR 1,036 million (2020: EUR 714 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 2021, revenues from these customers represent approximately 69% of revenues reported in total for all segments (2020: 54% of revenues reported for CETIN CZ).

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
Other significant non-cash expenses	(5)	-	-	-	-	-	(5)
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**

In millions of EUR

2020	CETIN CZ	CETIN Hungary	CETIN Bulgaria	CETIN Serbia	Unallocated	Eliminations	**Consolidated**
Revenue from external customers	714	-	-	-	-	-	714
Inter-segment revenue	-	-	-	-	-	-	-
Total revenue	**714**	**-**	**-**	**-**	**-**	**-**	**714**
Major service/products lines:							
Mobile service revenues	193	-	-	-	-	-	193
Contracted MSA/MOSA fee from anchor tenants	177	-	-	-	-	-	177
Contracted revenue from third-party tenants	12	-	-	-	-	-	12
Other non-contracted mobile revenue	4	-	-	-	-	-	4
Fixed broadband service revenues	167	-	-	-	-	-	167
Other fixed and domestic service revenues	95	-	-	-	-	-	95
Domestic revenue	455	-	-	-	-	-	455
International transit revenue	259	-	-	-	-	-	259
Total revenue	**714**	**-**	**-**	**-**	**-**	**-**	**714**
Other income from non-telecommunication services	9	-	-	-	-	-	9
Operating expenses	(390)	-	-	-	-	-	(390)
Operating profit excluding depreciation, amortisation and impairments	**333**	**-**	**-**	**-**	**-**	**-**	**333**
Depreciation on PPE	(135)	-	-	-	-	-	(135)
Depreciation on lease-related ROU	(27)	-	-	-	-	-	(27)
Amortisation of intangible assets	(19)	-	-	-	-	-	(19)
Impairment loss	(4)	-	-	-	-	-	(4)
Operating profit	**148**	**-**	**-**	**-**	**-**	**-**	**148**
Interest income	1	-	-	-	-	-	1
Interest expense on lease liability	(6)	-	-	-	-	-	(6)
Other interest expense	(14)	-	-	-	-	-	(14)
Other finance cost	-	-	-	-	-	-	-
Net foreign currency losses	(7)	-	-	-	-	-	(7)
Profit for the period before tax	**122**	**-**	**-**	**-**	**-**	**-**	**122**
Income tax expense	(24)	-	-	-	-	-	(24)
Profit for the period	**98**	**-**	**-**	**-**	**-**	**-**	**98**
Capital expenditure	147	-	-	-	-	-	147
Other significant non-cash expenses	(3)	-	-	-	-	-	(3)
Segment assets	2,381	409	310	364	5	(1)	3,468
Segment liabilities	1,524	127	78	74	3	(1)	1,805
Segment equity	**857**	**282**	**232**	**290**	**2**	**-**	**1,663**

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

	2021	2020
Domestic revenue	802	455
International transit revenue	234	259
Total	**1,036**	**714**

Detail split of domestic revenues:

In millions of EUR, for the year ended 31 December

	2021	2020
Mobile service revenues	525	193
Committed MSA/MOSA revenues from anchor tenants	497	177
Committed revenues from third-party tenants	19	12
Other non-committed mobile revenue	9	4
Fixed broadband service revenues	177	167
Other fixed and domestic service revenues	100	95
Total domestic revenues	**802**	**455**

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

A significant part of the Group's revenues is generated from the standard operations with the Group's related parties (refer to B.2.2 and E.21.1).

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 2021	31 December 2020
Within 1 year	341	348
1-2 years	261	274
2-5 years	710	497
More than 5 years	1,094	728
Transaction price on performance obligations yet to be satisfied	**2,406**	**1,847**

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

	2021	2020
Services/products transferred over time	1,036	714
Czech Republic	482	482
Hungary	131	5
Bulgaria	110	8
Serbia	104	5
Germany	25	27
Slovakia	15	18
Switzerland	5	5
Montenegro	2	-
Other EU countries	81	105
Other Non-EU countries	81	59

E.2. Personnel expenses and operating expenses

In millions of EUR, for the year ended 31 December

	2021	2020
Employee compensation	44	29
Payroll related taxes	23	19
Total personnel expenses	**67**	**48**
Transit cost of sales	220	246
Other cost of sales	15	14
Utilities	55	29
Network&IT maintenance	35	21
Rentals, buildings and vehicles	16	11
Professional services	9	3
Advertising and marketing	4	4
Taxes other than income tax	2	2
Telecommunication and postage	1	1
Restructuring charge	-	4
Other	20	7
Total other operating expense	**377**	**342**

The average number of employees during 2021 was 2,923 (2020: 2,172).

E.3. Other finance costs

In 2021, other finance cost represents net loss on financial assets amounting to EUR 2 million and fee and commission expense amount to EUR 1 million (2020: both nil).

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

	2021	2020
Current tax expense	(55)	(24)
Deferred tax expense	7	-
Total income tax expense	**(48)**	**(24)**

The following table reconciles the tax expense:

In millions of EUR, for the year ended 31 December

	2021	2020
Tax rate	25%	25%
Profit from continuing operations (before taxation)	290	122
Computed taxation using applicable tax rate	(72)	(31)
Tax non-deductible expenses	(5)	(5)
Non-taxable income	3	5
Tax rate differences on foreign results	29	7
Utilised tax loss for which no deferred tax was previously recognised	3	-
Items taxed at different tax rate (eg. withholding tax)	(2)	-
Other	(4)	-
Total income tax expense	**(48)**	**(24)**

The Company is subject to corporate income tax in the Netherlands at an income tax rate of 25%. 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

	2021	2020
Net deferred tax liability as at 1 January	(230)	(237)
Additions from the Group restructuring (refer to B.2.3)	-	(5)
Deferred tax benefit for the period	7	-
Deferred tax recognised directly in equity	-	4
Effects of movements in exchange rates	(12)	8
Net deferred tax liability as at 31 December	**(235)**	**(230)**

Recognised deferred tax assets and liabilities were as follows:

In millions of EUR

	31 Dec. 2021 Deferred tax liabilities	31 Dec. 2021 Deferred tax assets	31 Dec. 2020 Deferred tax liabilities	31 Dec. 2020 Deferred tax assets
Property, plant and equipment	(250)	1	(246)	1
Intangible assets	(5)	-	(5)	-
Other assets	-	1	-	1
Lease liabilities	-	12	-	12
Provisions	-	5	-	6
Other temporary differences	-	1	(1)	2
Deferred tax assets/(liabilities)	**(255)**	**20**	**(252)**	**22**
Net deferred tax assets/(liabilities)	**(237)**	**2**	**(231)**	**1**

E.4.3. Tax losses

As at 31 December 2021, the Group incurred tax losses from recent years of EUR 26 million (2020: EUR 38 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 7 million (2020: EUR 9 million). The unutilised tax losses can be claimed in the period from 2024 to 2025 in the Netherlands and will expire as follows:

In millions of EUR

	31 December 2021	31 December 2020
2023	-	3
2024	5	16
2025	21	19
Total	**26**	**38**

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 2021

	Land and buildings	Ducts, cables and related plant	Telecom. technology and related equipment	Other tangible assets and equipment	Constructi-on 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 millions of EUR, for the year ended 31 December 2020

	Land and buildings	Ducts, cables and related plant	Telecom. technology and related equipment	Other tangible assets and equipment	Constructi-on in progress	Total
Cost	277	1,754	587	23	72	2,713
Accumulated depreciation and impairment	(82)	(455)	(286)	(11)	(2)	(836)
Carrying amount as at 1 January 2020	**195**	**1,299**	**301**	**12**	**70**	**1,877**
Additions from the Group restructuring (refer to B.2.3)	2	-	222	62	34	320
Additions	4	35	52	3	30	124
Disposal	-	-	(4)	-	-	(4)
Transfers	2	10	17	1	(30)	-
Depreciation charge	(11)	(70)	(51)	(3)	-	(135)
Impairment charge	-	-	-	-	(4)	(4)
Effects of movements in exchange rates	(6)	(40)	(8)	(1)	-	(55)
Carrying amount as at 31 December 20210	**186**	**1,234**	**529**	**74**	**100**	**2,123**
Cost	273	1,741	989	102	104	3,209
Accumulated depreciation and impairment	(87)	(507)	(460)	(28)	(4)	(1,086)

For the Group restructuring in 2020 (refer to B.2.3), the Group applied book-value accounting. Thus, it transferred the gross values, accumulated depreciation and impairment as recognised by the previous owner, which are described in the table below:

In millions of EUR, for the year ended 31 December 2020

	Land and buildings	Ducts, cables and related plant	Telecom. technology and related equipment	Other tangible assets and equipment	Constructi-on in progress	Total
Cost	2	-	369	76	35	482
Accumulated depreciation and impairment	-	-	(147)	(14)	(1)	(162)
Net carrying value of additions from the Group restructuring	**2**	**-**	**222**	**62**	**34**	**320**

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

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

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.

Considering the planned construction of a new generation of the 5G mobile network and the related change in technology, in November 2020, the Group changed its estimated useful life of assets, which net book value totalled EUR 107 million, newly to the remaining useful life of the next four years.

E.6. Goodwill and other intangible assets

Intangible assets comprise the following:

In millions of EUR

	31 December 2021	31 December 2020
Goodwill	589	586
Software	73	58
Other intangible assets	22	21
Work in progress	5	6
Total intangible assets (incl. goodwill)	**689**	**671**

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

The following table shows the roll-forward of goodwill:

In millions of EUR, for the year ended 31 December

	2021	2020
Balance as at 1 January	586	111
Additions from the Group restructuring (refer to B2.3)	-	478
Effect of movement in exchange rates	3	(3)
Balance as at 31 December	**589**	**586**

As the Group, during 2020, with the Group restructuring described in B.2.2, acquired control over the entities previously owned by another entity having the same ultimate controlling party as CETIN Group N.V. (formerly CETIN Group B.V.) itself, the Group assessed this transaction as a business combination under common control (refer to B.2.2).

Goodwill is allocated to individual CGUs as follows:

In millions of EUR

	31 December 2021	31 December 2020
CETIN CZ	114	108
CETIN Hungary	183	186
CETIN Bulgaria	104	104
CETIN Serbia	188	188
Total goodwill*	**589**	**586**

*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 the CETIN CZ 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 Hungary, Bulgaria and Serbia businesses represent operating companies in 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 2022 to 2028), 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 2021 will be subject to regular reassessments and potential adjustments. The pre-tax discount rates applied for the respective CGUs are as follows:

	31 December 2021	31 December 2020
CETIN CZ	9.5%	6.6%
CETIN Hungary	11.3%	8.1%
CETIN Bulgaria	8.1%	8.1%
CETIN Serbia	11.5%	10.3%

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 2021. 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 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)

In millions of EUR, for the year ended 31 December 2020

	Software	Other intangible assets	Work in progress	Total
Cost	116	10	7	133
Accumulated depreciation and impairment	(63)	(1)	-	(64)
Carrying amount as at 1 January 2020	**53**	**9**	**7**	**69**
Additions from the Group restructuring (refer to B.2.3)	4	10	1	15
Additions	18	2	3	23
Transfers	4	-	(4)	-
Amortisation charge	(19)	-	-	(19)
Effects of movements in exchange rates	(2)	-	(1)	(3)
Carrying amount as at 31 December 2020	**58**	**21**	**6**	**85**
Cost	140	24	6	170
Accumulated amortisation and impairment losses	(82)	(3)	-	(85)

For the Group restructuring in 2020 (refer to B.2.3), the Group applied book-value accounting. Thus, it transferred the gross values, accumulated depreciation and impairment as recognised by the previous owner.

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

Financial assets comprise the following:

In millions of EUR

	31 December 2021	31 December 2020
Receivables due from banks	4	16
Trade and other receivables	147	145
Current	**151**	**161**
Total financial assets	**151**	**161**

E.7.1. Receivables due from banks

Receivables due from banks comprise the following:

In millions of EUR

	31 December 2021	31 December 2020
Cash collateral for derivative instruments	4	16
Current	**4**	**16**
Total receivables due from banks	**4**	**16**

Cash collateral placed represents the one-sided collateral of the Group’s derivative transactions. Cash collateral placed results from the Group’s obligation to place cash collateral to the counterparty in a derivative transaction and for the period of the derivative transaction, where the amount of collateral is calculated from the nominal and fair value of the financial derivative. The amount of the placed collateral is regularly updated.

E.7.2. Trade and other receivables

Trade and other receivables comprise the following:

In millions of EUR

	31 December 2021	31 December 2020
Trade receivables	128	129
Accrued income	22	20
Subtotal (gross) - current	**150**	**149**
Individual allowances for impairment on trade and other receivables	(3)	(4)
Subtotal (net) - current	**147**	**145**
Carrying amount trade and other receivables - total	**147**	**145**

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

	2021	2020
Balance as at 1 January	4	5
Net impairment losses/(reversals) recognised in statement of income	(1)	(1)
Balance as at 31 December	**3**	**4**

E.8. Other assets

Other assets comprise the following:

In millions of EUR

	31 December 2021	31 December 2020
Deferred expenses and advances	19	16
Specific deposits and other specific receivables	2	-
Other assets	2	-
Non-current	**23**	**16**
Deferred expenses and advances	20	8
Other tax receivables	8	5
Current	**28**	**13**
Total other assets	**51**	**29**

E.9. Cash and cash equivalents

As at 31 December 2021, cash and cash equivalents comprised current accounts at banks of EUR 83 million (2020: EUR 124 million).

No cash and cash equivalents were pledged as at 31 December 2021 and 2020.

E.10. Due to banks

Liabilities due to banks comprise the following:

In millions of EUR

	31 December 2021	31 December 2020
Unsecured loans – non-current	1,146	-
Unsecured loans – current	297	-
Total loans due to banks	**1,443**	**-**

In August 2021, the Parent Company became a party to a term and revolving facilities agreement with a syndicate of banks. The Parent Company then utilised bridge, term, and incremental term loan facilities amounting to EUR 1,450 million in aggregate, 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. A committed revolving facility of EUR 200 million was undrawn as at 31 December 2021. The actual amount of outstanding loan liabilities stated in the table above is lower by unamortised fees and other transaction costs directly attributable to the origination of the loan facilities. These fees were capitalised and are amortised to finance costs using the effective interest rate method. These loan facilities are unsecured.

As at 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 2021:

	Bridge loan facility	Term loan facility	Incremental term loan facility
Repayable by	2022*	2026	2026
Margin rate over 3M EURIBOR	0.70% - 1.85%	1.25%	1.00%
Actual respective margin levels applicable	0.70%	1.25%	1.00%

*The Group has a prolongation option until 2023 which it intends to use.

E.11. Debt securities issued

Debt securities issued comprise the following:

In millions of EUR

	Date of issue	Maturity	Fixed rate	31 December 2021	31 December 2020
Unsecured bond (EUR 625 million)	2016	2021	1.42%	-	625
Unsecured bond (CZK 4,866 million)*	2016	2023	1.25%	195	185
Total debt securities issued				**195**	**810**

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

In July 2020, the Group received commitments from wide group of relationship banks for committed unsecured credit facility of EUR 625 million, which should have served as the liquidity back-up for CETIN CZ's EUR 625 million Eurobonds that was maturing in

December 2021. During 2021, the Group terminated these commitments as the Eurobond was refinanced by bank loans drawn by the Parent Company (refer to E.10).

E.12. Financial liabilities at FVTPL

In 2021, financial liabilities at FVTPL amounting to EUR 3 million related to insignificant derivative contracts used for economic hedging of foreign currency transactions to be settled in a very short time. In 2020, financial liabilities at FVTPL amounting to EUR 11 million related to hedging derivatives with notional amount of EUR 550 million used as hedging instruments for the Group’s cash-flow hedge relationship. During 2021, this cash-flow relationship was discontinued and these hedging derivatives fully settled.

E.13. Trade and other payables

Trade and other payables comprise the following:

In millions of EUR

	31 December 2021	31 December 2020
Settlements with suppliers	2	2
Advances received	1	2
Defined benefit obligation	1	1
Contract liabilities	57	58
Non-current	**61**	**63**
Settlements with suppliers	268	193
Wages and salaries	13	10
Social security and health insurance	4	4
Other tax payables	1	2
Accrued expense	34	26
Deferred income and prepayments	1	1
Contract liabilities	14	16
Other liabilities	3	6
Current	**338**	**258**
Total trade and other payables	**399**	**321**

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

In millions of EUR, for the year ended 31 December

	2021	2020
Balance as at 1 January	74	81
Revenue recognised that was included in the contract liability balance at the beginning of the period	(14)	(15)
Increase due to cash received, excluding amounts recognised as revenue during the period	7	10
Effects of movements in exchange rates	4	(2)
Balance as at 31 December	**71**	**74**

E.14. Provisions

Provisions comprise the following:

In millions of EUR

	31 December 2021	31 December 2020
Fixed asset retirement obligation	43	57
Other provisions	1	-
Non-current	**44**	**57**
Provision for restructuring	3	4
Other provisions	2	3
Current	**5**	**7**
Total provisions	**49**	**64**

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

In millions of EUR, for the year ended 31 December 2020

	Fixed asset retirement obligation	Provision for restructuring	Other	Total
Balance as at 1 January 2020	**14**	**1**	**2**	**17**
Effect of the Group restructuring (refer to B.2.3)	43	-	2	45
Provisions created during the year	1	4	-	5
Provisions used during the year	(1)	(1)	(1)	(3)
Balance as at 31 December 2020	**57**	**4**	**3**	**64**
Non-current	57	-	-	57
Current	-	4	3	7

The Group recognised a provision for the estimated cost of dismantling and removing assets and restoring sites of EUR 43 million (2020: EUR 57 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.

The provision for restructuring represented mainly the redundancy cost related to the business restructuring in CETIN CZ.

E.15. 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 2021	31 December 2020
Number of shares authorised	375,000	100,000
Number of shares issued, out of which fully paid	375,000	100,000
Par value per share	EUR 0.12	EUR 0.01

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 2021, the share premium amounted to EUR 640 million (2020: EUR 1,456 million). For more details on the decrease of the share premium during 2021 refer to E.10.

During 2021, the Parent Company paid dividends totalling EUR 205 million (2020: EUR 95 million).

E.16. Reserves

E.16.1. 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.16.2. 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.16.3. 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. 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.17. 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 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	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).

In millions of EUR

As at 31 December 2020	CETIN CZ	TMT Hungary Infra
NCI percentage (ownership)	**10.27%**	**25.00%**
Country of incorporation	Czech Republic	Netherlands
Total assets	2,273	409
Total liabilities	(1,524)	(127)
Net assets*	**749**	**282**
Carrying amount of NCI	77	71
NCI percentage during the period	**10.27%**	**-**
Revenue	714	-
Profit	98	-
Other comprehensive expense	(44)	-
Total comprehensive income	54	-
Profit allocated to NCI	10	-
OCI allocated to NCI	(4)	-
Dividends paid to NCI	**11**	**-**

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

E.18. Leases

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

E.18.1. 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 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**

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 2020	**183**	**2**	**13**	**4**	**202**
Additions from the Group restructuring (refer to B.2.2)	158	-	10	-	168
Additions	12	-	6	2	20
Depreciation charge	(23)	-	(2)	(2)	(27)
Effects of movements in exchange rates	(7)	-	-	-	(7)
Balance as at 31 December 2020	**323**	**2**	**27**	**4**	**356**

E.18.2. Amounts recognised in profit and loss

As at December 2021, the interest expense on leases under IFRS 16 amounted to EUR 11 million (2020: EUR 6 million).

Total cash outflow for leases amounted to EUR 65 million for the year ended 31 December 2021 (2020: EUR 31 million).

E.19. 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 2021

	Debt securities issued	Due to banks	Lease liability	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 due to banks	-	1,878	-	-	1,878
Repayments of due to banks	-	(450)	-	-	(450)
Repayments of debt securities	(622)		-	-	(622)
Repayment of principal portion of lease liability	-	-	(53)	-	(53)
Total changes from financing cash flows	**(622)**	**1,428**	**(53)**	**(816)**	**(63)**
Effect of changes in foreign exchange rates	7	13	9	-	29
New leases	-	-	49	-	49
Interest expense	11	6	11	-	28
Interest paid	(11)	(4)	(12)	-	(27)
Balance as at 31 December 2021	**195**	**1,443**	**365**	**640**	**2,643**

In millions of EUR for the year 2020

	Debt securities issued	Due to banks	Lease liability	Share premium	Total
Balance as at 1 January 2020	**815**	**-**	**205**	**484**	**1,504**
Changes from financing cash flows:		-			
Repayment of principal portion of lease liability	-	-	(25)	-	(25)
Total changes from financing cash flows	**-**	**-**	**(25)**	**-**	**(25)**
Effect of changes in foreign exchange rates	(5)	-	(5)	-	(10)
Additions from the Group restructuring (refer to B2.3)	-	-	167	972	1,139
New leases	-	-	19	-	19
Interest expense	12	-	6	-	18
Interest paid	(12)	-	(6)	-	(18)
Balance as at 31 December 2020	**810**	**-**	**361**	**1,456**	**2,627**

E.20. Off-balance sheet items

E.20.1. Commitments

In millions of EUR

	31 December 2021	31 December 2020
Capital expenditure commitments – PPE	58	29
Capital expenditure commitments – intangible assets	6	4
Total commitments and contingent liabilities	**64**	**33**

E.20.2. Off-balance sheet assets

In millions of EUR

	31 December 2021	31 December 2020
Guarantees accepted	4	-
Loan commitments received	200	-
Total commitments and contingent assets	**204**	**-**

Increase of loan commitments in 2021 represent a committed revolving facility of EUR 200 million received by the Parent Company, refer to E.10.

E.20.3. Regulatory investigation

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

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

In August 2021, the Commission adopted a preliminary assessment under which it reduced its concerns and enabled formally the investigated parties to offer commitments. The parties did respond to the preliminary assessment and rejected the concerns while, after the deep discussion with the Commission, offered such commitments and the Commission had, on 1 October, started the market test to receive feedback from the market participants on their contents. Should the commitments are accepted, the proceedings shall be terminated without the fine or other additional remedy being issued by the Commission.

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. On 1 October, the Commission started the market test to receive feedback from the market participants on their contents. The discussions with the Commission about the content of the commitments are still ongoing. Should the commitments be accepted, the proceedings shall be terminated without the fine or other additional remedy being issued by the Commission.

Should the commitments not be accepted, the Group will continue defending their rights under to proceedings in order to convince the Commission that the cooperation between the sharing partners is in compliance with the relevant laws.

No provision has been created with respect to the regulatory investigation discussed above. The Group believes that all litigation risks have been faithfully reflected in the consolidated financial statements.

E.20.4. 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 (refer to B.2 section) 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, Telenor Hungary, Telenor Bulgaria and Telenor 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, Telenor Hungary, Telenor Bulgaria, and Telenor Serbia fail to pay their monetary debts or perform its non-monetary debts, creditors may claim under the Cross Guarantee.

E.21. 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.21.1. Transactions with fellow subsidiaries

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

In millions of EUR

	31 December 2021	31 December 2020
Receivables due from banks	4	16
Trade receivables	69	65
Cash and cash equivalents	34	53
Right-of-use assets (IFRS 16)	1	1
Trade payables	(5)	(9)
Lease liabilities (IFRS 16)	(1)	(1)
Contract liabilities	(13)	(13)
Negative fair value of derivatives	(3)	(11)
Deferred tax liabilities	-	(1)

In millions of EUR, for the year ended 31 December

	2021	2020
Revenue from telecommunication business	705	386
Other income from non-telecommunication services	3	2
Other operation expenses	(36)	(29)
Net loss on financial assets	(3)	2
Foreign currency gains/(losses)	(15)	17

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

Revenue generated from these agreements is disclosed in detail in section D and note E.1.1. Total fee is generated by base fee 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 next 10 years totals EUR 482 million. All arrangements are concluded at arm's length conditions.

In addition, the Parent Company and its fellow subsidiaries PPF Telco B.V. and PPF TMT Bidco 1 B.V. acted as joint guarantors of finance obligations under the notes issued by their parent company PPF Telecom Group B.V. in an aggregate principal amount of EUR 2,250 million (2020: EUR 2,250 million). These joint guarantees were terminated with an effective date of 1 September 2021.

E.21.2. Transactions with key management personnel

In 2021, the Group narrowed the definition of key management personnel that comprises the core functions (executive, finance, commercial and technical) at both, group and business level. The comparative figure in the below paragraph representing the remuneration was restated accordingly.

For the year ended 31 December 2021, key management personnel were provided with benefits totalling EUR 2.4 million (2020: EUR 1.4 million, restated from EUR 2 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 2021 and 2020.

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.

E.21.3. Group restructuring

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).

During December 2020, the Group, with the business restructuring described in B.2.2, acquired control over entities previously owned by another entity having the same ultimate controlling party as CETIN Group N.V. (formerly CETIN Group B.V.) itself. The Group assessed this transaction as a business combination under common control. For details on the impact on the Group’s financial information refer to B.2.3.

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 2021	31 December 2020
CZK/EUR spot rate	24.86	26.24
CZK/EUR yearly average rate	25.64	26.46
HUF/EUR spot rate	369.19	363.89
HUF/EUR yearly average rate	358.52	351.25
BGN/EUR spot rate	1.96	1.96
BGN/EUR yearly average rate	1.96	1.96
RSD/EUR spot rate	117.58	117.59
RSD/EUR yearly average rate	117.57	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. This is a long-term contract. 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 access services to the fixed network represents revenue from provided access to the public fixed communications network (Internet, television lines and fixed phone lines). The service is provided and invoiced on continuous basis. The revenue is calculated as a price for the network line and the number of lines provided. The revenue is 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. 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 2021

Interest Rate Benchmark Reform – Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (effective from 1 January 2021)

The Phase 2 amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate ("IBOR") is replaced with an alternative nearly risk-free interest rate ("RFR"). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;

- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued;

- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

This amendment was endorsed by the EU and had no impact on the consolidated financial statements of the Group.

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

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

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

The amendment has been adopted by the EU and is effective for annual reporting periods beginning on or after 1 April 2021.

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 have been adopted by the EU and is effective for annual reporting periods beginning on or after 1 January 2022.

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

These amendments to IAS 1 affect only the presentation of liabilities in the statement of financial position, 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.

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.

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”.

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

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

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

G. Subsequent events

G.1. MSA agreement with anchor customers prolongation

The Group concluded with its anchor customers the amendments to the MSA agreements prolonging the contacts till 31 December 2051. For details on MSA agreements refer to E.21.1.

G.2. Change in shareholding of the Parent Company

On 9 March 2022, the Group's sole shareholder PPF Telecom Group B.V. and its partner GiC successfully completed the sale transaction of a 30% share in the Parent Company. PPF Telecom Group B.V. keeps acting as the controlling party over the Parent Company, GiC will act as a non-controlling interest.

G.3. Change of functional currency in 2022

Monitoring its economic environment, the management evaluated, in line with IFRS that following the recent changes in the Parent Company's funding, the change in the earnings distribution currency following the sale of a share to the new non-controlling interest (refer to G.2), that the Parent Company's functional currency changed from CZK to EUR. EUR became the Parent Company's operations dominating currency since 1 January 2022.

G.4. Change in the board of directors in 2022

On 9 March 2022, new Articles of Association were adopted, in connection with the sale of the 30% stake in the Parent Company by its shareholder PPF Telecom Group B.V. (refer to G.2). The changes mainly concern the composition of the Management Board which has grown as at the date of these consolidated financial statements.

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

21 March 2022

The board of directors:

Jan Cornelis Jansen
Member of the board of directors

Jan Kadaník
Member of the board of directors

Marcel Marinus van Santen
Member of the board of directors

Juraj Šedivý
Member of the board of directors

Kamil Burganov
Member of the board of directors

Andrew James Dench
Member of the board of directors

MEMBER OF PPF GROUP

CETIN Group N.V.

Separate financial statements for the year ended 31 December 2021

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Statement of financial position

In millions of CZK

	Note	31 December 2021	31 December 2020 (restated)**
ASSETS			
Investments in subsidiaries	5	41,934	40,863
Loan receivable	6	15,538	-
Non-current assets		**57,472**	**40,863**
Cash and cash equivalents	7	42	1
Loan receivable	6	19	
Trade receivables		16	-
Current assets		**77**	**1**
TOTAL ASSETS		**57,549**	**40,864**
LIABILITIES			
Due to banks	8	35,837	-
Non-current liabilities		**35,837**	**-**
Due to banks	8	33	-
Trade and other payables		4	-
Current liabilities		**37**	**-**
TOTAL LIABILITIES		**35,874**	**-**
Issued capital*	9.1	1	-
Share premium	9.2	18,335	37,993
Retained earnings		3,339	2,871
Total Equity		**21,675**	**40,864**
TOTAL LIABILITIES AND EQUITY		**57,549**	**40,864**

*Issued capital in 2020 was CZK 27 thousand.
**For more details on the restatement refer to note 2.6

Statement of comprehensive income

For the year ended 31 December

In millions of CZK

	Note	2021	2020
Dividend income	10	5,415	2,507
Interest income		19	-
Total operating income		**5,434**	**2,507**
Operating expenses	11	115	1
Finance cost	12	86	-
Foreign exchange gain	3.1	(467)	-
Impairment loss/(reversal) on subsidiaries	5	(14)	358
Total operating expense		**(280)**	**359**
PROFIT BEFORE TAX		**5,714**	**2,148**
Income tax expense	14	-	-
NET PROFIT FOR THE PERIOD		**5,714**	**2,148**
Other comprehensive income for the period		**-**	**-**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**5,714**	**2,148**

Statement of changes in equity

In millions of CZK

	Issued capital*	Share premium	Retained earnings	Total
Balance at 1 January 2021	**-**	**37,993**	**2,871**	**40,864**
Contributions for the year	-	3,492	-	3,492
Distributions for the year	-	(23,150)	-	(23,150)
Issuance of new shares	1	-	-	1
Dividends paid	-	-	(5,247)	(5,247)
Total comprehensive income				
Net profit for the year	-	-	5,714	5,714
Revaluation reserve	-	-	-	-
Rounding	-	-	1	1
Balance at 31 December 2021	**1**	**18,335**	**3,339**	**21,675**

*Issued capital in 2020 CZK 27 thousand.

In millions of CZK

	Issued capital*	Share premium (restated)	Retained earnings	Total
Balance at 1 January 2020	**-**	**12,369**	**3,229**	**15,598**
Contributions for the year **	-	25,624	-	25,624
Distributions for the year	-	-	-	-
Dividends paid	-	-	(2,506)	(2,506)
Total comprehensive income				
Net profit for the year	-	-	2,148	2,148
Revaluation reserve	-	-	-	-
Balance at 31 December 2020**	**-**	**37,993**	**2,871**	**40,864**

*Issued capital is CZK 27 thousand.
**For more details on restatement refer to 2.6

Statement of cash flows

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

In millions of CZK

	Note	2021	2020
Profit before tax		5,714	2,148
Adjustments for:			
Dividend income	10	(5,415)	(2,507)
Withholding tax on dividend income		59	
Interest expense (net)		67	-
(Gains)/losses on derivatives revaluation and currency translations (net)		(467)	-
Impairment loss/(reversal) on subsidiaries	5	(13)	358
Net operating cash flows before changes in working capital		**(55)**	**(1)**
Change in other receivables and payables		33	(-)
Cash flows used in the operations		**(22)**	**(1)**
Increase of investment in subsidiaries	5	-	-
Distribution from investment in subsidiary	5	-	-
Dividend received	10	5,347	2,507
Loans provided to a subsidiary	6	(15,884)	-
Loan repayment from a subsidiary	6	-	-
Interest received		-	-
Cash flows (used in)/from investing activities		**(10,537)**	**2,507**
Utilisation of loans from banks (net of fees)	8	36,625	-
Repayment of loans from banks (net of fees)	8	-	-
Interest paid		(37)	-
Proceeds from share premium contribution	9	2,389	-
Distribution of share premium	9	(23,149)	-
Dividends paid	18	(5,239)	(2,506)
Cash flows from/(used in) financing activities		**10,589**	**(2,506)**
Change in cash and cash equivalents		**30**	**1**
Cash and cash equivalents at beginning of year	7	1	1
Effect of exchange rate changes on cash and cash equivalents		11	-
Cash and cash equivalents at end of year	7	**42**	**1**

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 2021 the Company's board of directors had the following composition:

J.C. Jansen	Director
J. Kadanik	Director
M.M. van Santen	Director
J. Sedivy	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

The financial statements are presented in Czech Koruna ("CZK"), which is the Company's functional currency, and rounded to the nearest million.

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 Restatement of share premium and investment of subsidiaries in 2020

In 2021, the Company amended the incorrectly derived value of share premium caused by application of a different FX rate used for in-kind contribution done in December 2020. The value of share premium decreased by CZK 855 million (newly CZK 37,993 million, previously CZK 38,848 million) together with the value of investment in subsidiaries (newly CZK 40,863 million, previously CZK 41,718 million). The related contribution for the year to share premium and the contributions in-kind in investments in subsidiaries (note 5) decreased by CZK 855 million (newly CZK 25,624 million, previously CZK 26,479 million). The comparative figures have been restated accordingly.

2.7 Changes in Accounting policies and accounting pronouncements adopted since 1 January 2021

Interest Rate Benchmark Reform – Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (effective from 1 January 2021)

The Phase 2 amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate ("IBOR") is replaced with an alternative nearly risk-free interest rate ("RFR"). The amendments include the following practical expedients:
A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;

Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued;

Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

This amendment was endorsed by the EU and had no impact on the financial statements of the Company.

2.8 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 2021 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 IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021 (issued on 31 March 2021) (effective from 1 April 2021)

The amendment provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.

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

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

The amendment has been adopted by the EU and is effective for annual reporting periods beginning on or after 1 April 2021. The Company does not expect the amendment to have any impact on its financial statements.

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

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

These amendments have been adopted by the EU and is effective for annual reporting periods beginning on or after 1 January 2022. The Company does not expect the amendments to have any impact on its financial statements.

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

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 Company does not expect them to have any impact on its financial statements.

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

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

These amendments have not been adopted by the EU. The Company is currently assessing the potential impact on its financial statements resulting from the application of these amendments.

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

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

These amendments have not been adopted by the EU and Company does not expect them to have significant impact on its financial statements.

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

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

These amendments have not been adopted by the EU and Company does not expect them to have any impact on its financial statements.

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.

c) 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.

d) 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.

3.4 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.

3.5 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.

3.6 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.

3.7 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.

3.8 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.

3.9 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.

3.10 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 investments in debt securities, 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, investing to debt securities issued by central banks 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 CZK, 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%	42	-	-	-	-	42
Loan receivable	1.50%	15,557	-	-	-	-	15,557
Total interest-bearing financial assets		**15,599**	**-**	**-**	**-**	**-**	**15,599**
Due to banks	1,07%	35,870	-	-	-	-	35,870
Total interest-bearing financial liabilities		**35,870**	**-**	**-**	**-**	**-**	**35,870**
Net position 2021		**(20,271)**	**-**	**-**	**-**	**-**	**(20,271)**

In millions of CZK, as at 31 December 2020

	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%	1	-	-	-	-	1
Net position 2020		**1**	**-**	**-**	**-**	**-**	**1**

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 CZK, 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	42	-	-	-	-	42
Loan receivable	19	-	-	15,538	-	15,557
Trade and other receivables	16	-	-	-	-	16
Total financial assets	**77**	**-**	**-**	**15,538**	**-**	**15,615**
Due to banks	33	7,356	-	28,481	-	35,870
Trade and other payables	4	-	-	-	-	4
Total financial liabilities	**37**	**7,356**	**-**	**28,481**	**-**	**35,874**
Net position	**40**	**(7,356)**	**-**	**(12,943)**	**-**	**(20,259)**

In millions of CZK, as at 31 December 2020

	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	1	-	-	-	-	1
Total financial assets	**1**	**-**	**-**	**-**	**-**	**1**
Due to banks	-	-	-	-	-	-
Trade and other payables	-	-	-	-	-	-
Total financial liabilities	**-**	**-**	**-**	**-**	**-**	**-**
Net position	**1**	**-**	**-**	**-**	**-**	**1**

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.

A summary of the Company's currency gap position, analysed by currencies, is as follows.

In millions of CZK, as at 31 December 2021

	EUR	CZK	Total
Cash and cash equivalents	41	1	42
Loans receivable	15,557	-	15,557
Trade and other receivables	16	-	16
Total financial assets	**15,614**	**1**	**15,615**
Due to banks	35,870	-	35,870
Trade and other payables	4	-	4
Total financial liabilities	**35,874**	**-**	**35,874**
Net position	**(20,260)**	**1**	**(20,259)**

In millions of CZK, as at 31 December 2020

	EUR	CZK	Total
Cash and cash equivalents	-	1	1
Loans receivable	-	-	-
Total financial assets	**-**	**1**	**1**
Due to banks	-	-	-
Trade and other payables	-	-	-
Total financial liabilities	**-**	**-**	**-**
Net position	**-**	**1**	**1**

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 2021 and 2020.

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.

All of the Company's financial assets and liabilities are classified as Level 2 in the fair value hierarchy and no transfers from Level 2 to other levels occurred in 2021 or 2020.

5 Investments in subsidiaries

In millions of CZK

	Share	31 December 2021	Share	31 December 2020 (restated)**
CETIN a.s.	100%	16,699	89.73%	15,597
PPF TMT Bidco 1 Infra B.V.	0%	-	0%	-
Telenor Common Operations Zrt.	0%	-	100%*	31
TMT Hungary Infra B.V.	75%	9,112	75%*	9,112
CETIN Bulgaria EAD	100%	7,564	100%*	7,564
CETIN d.o.o. Beograd-Novi Beograd	100%	8,559	100%*	8,559
Total		**41,934**		**40,863**

*owned indirectly via the direct investment in PPF TMT Bidco 1 Infra B.V. as at 31 December 2020 (refer to the paragraphs below)
** refer to note 2.6

As a result of the separation of the Group's retail and infrastructure business, the infrastructure assets of the Company's fellow subsidiary PPF TMT Bidco 1 BV were spun off into PPF TMT Bidco 1 Infra B.V., which was incorporated upon this demerger with legal effects as of 25 December 2020. The infrastructure assets transferred to PPF TMT Bidco 1 Infra B.V. comprised of the 100% participation interests in CETIN Bulgaria EAD, CETIN d.o.o. Beograd-Novi Beograd and Telenor Common Operations Zrt. and the 75% participation interest in TMT Hungary Infra B.V. The aggregate value of the net assets that passed to PPF TMT Bidco 1 Infra B.V. amounted to TEUR 971,712 and was determined on the basis of the carrying amounts of the transferred assets in the accounts of PPF TMT Bidco 1 B.V.

On 28 December 2020, the Company obtained control over all assets and liabilities of PPF TMT Bidco 1 Infra B.V. The value of net assets assumed by the Company on 31 December 2020 amounted to TCZK 25,624,059 (restated, refer to note 2.6) and was determined on the basis of the carrying amounts of the transferred assets in the accounts of PPF TMT Bidco 1 Infra B.V. using the prevailing exchange rate.

The above-described restructuring comprised the demerger of PPF TMT Bidco 1 B.V. and a merger of PPF TMT Bidco 1 Infra B.V. with the Company. These transactions only represented however legal steps to reach the goal of the whole restructuring process, which was the establishment of CETIN Group with its subsidiaries. As the legal effective date of the merger of PPF TMT Bidco 1 Infra B.V. (the disappearing entity) and CETIN Group B.V. (the surviving entity) was 12 February 2021 (i.e. subsequently to the latest reporting period presented), the Company thoroughly assessed whether it controlled PPF TMT Bidco 1 Infra B.V. as at 31 December 2020. Considering the set-up of the restructuring as described above and an agreement between the Company and PPF Telecom Group B.V. dated 28 December 2020, providing the Company the power over the relevant activities of PPF TMT Bidco 1 Infra B.V. as well as all benefits related to the shares in PPF TMT Bidco 1 Infra B.V. fully held by PPF Telecom Group B.V., the Group concluded that, in accordance with IFRS 10, the Company effectively obtained control over PPF TMT Bidco 1 Infra B.V. and its subsidiaries on 28 December 2020.

In 2020, the Company recognised an impairment on PPF TMT Bidco 1 Infra B.V. which related to the indirect investment in Telenor Common Operations Zrt. (TCZK 357,830) as this company was scheduled for liquidation, which was eventually completed in 2021. There were no further impairments in 2021 or 2020.

On 31 August 2021 the Company, which is the surviving entity, merged with its sister company PPF A3 B.V.. The value contributed by the disappearing company is CZK 1,1 billion. The effective and legal date of the merger is 31 August 2021.

In millions of CZK

	31 December 2021	31 December 2020 (restated)*
Balance as at 1 January	**40,863**	**15,597**
Share capital contribution at incorporation	-	-
Share premium contribution	-	-
Contributions in kind	1,103	25,624
Share premium distribution	-	-
Disposal in liquidation	(32)	-
Impairments	-	(358)
Balance as at 31 December	**41,934**	**40,863**

* For more details on the restatement refer to note 2.6

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.

The gross balance of the intra-group loan receivable amounted to CZK 15,557 million as at 31 December 2021. In 2021, the Company did not recognize an expected probability-weighted estimate of credit losses relating to the intra-group loan receivable, as the amount of CZK 8 million was deemed immaterial.

7 Cash and cash equivalents

In millions of CZK

		31 December 2021	31 December 2020
Current accounts – Group	CZK	1	1
Current accounts – Non-group		-	-
Current accounts – Group	EUR	41	-
Current accounts – Non-Group		-	-
Total cash and cash equivalents		**42**	**1**

All current accounts are payable on demand. Cash and cash equivalents are freely distributable.

8 Due to banks

Liabilities due to banks comprise the following:

In millions of CZK

	31 December 2021	31 December 2020
Unsecured loans – non-current	35,837	-
Unsecured loans – current	33	-
Total loans due to banks	**35,870**	**-**

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 (equivalent of CZK 36,047 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 (equivalent of CZK 20,741 million). 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 (equivalent of CZK 4,972 million) was undrawn as at 31 December 2021.

As at 31 December 2021 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 2021:

	Bridge loan facility	Term loan facility	Incremental term loan facility
Repayable by	2022*	2026	2026
Margin rate over 3M EURIBOR	0.70% - 1.85%	1.25%	1.00%
Actual respective margin levels applicable	0.70%	1.25%	1.00%

* The Company has a prolongation option until 2023 which it intends to use.

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

	Liabilities	**Equity**	**Equity**	**Total**
	Due to banks	**Share capital**	**Share premium**	
In million of CZK				
Balance as at 1 January 2021	**-**	**-**	**37,993**	**37,993**
Share premium increase	-	-	2,389	2,389
Share premium decrease	-	-	(23,149)	(23,149)
Loan drawdown	36,625	-	-	36,625
Interest paid	(37)	-	-	(37)
Changes from financing cash flows	**36,588**	**-**	**(20,760)**	**15,828**
Other changes				
Issuance of new shares from share premium	-	1	(1)	-
Share premium increase	-	-	1,103	1,103
Capitalized expenses	(230)			(230)
Loan drawdown	11,772			11,772
Loan repayment	(11,541)			(11,541)
Interest expense	86	-	-	86
Effect of changes in FX rates	(805)	-	-	(805)
Total other changes	**(718)**	**1**	**1,102**	**385**
Balance as at 31 December 2021	**35,870**	**1**	**18,335**	**54,206**

9 Equity

9.1 Share capital

In EUR

	31 December 2021	31 December 2020
Authorised capital	45,000	1,000
Issued and fully paid up	45,000	1,000
Nominal value per share	0.12	0.01

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 (2020: 100 thousand). 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.

The Dutch Civil Code article 2.373.5 requires the Company to translate its issued share capital from its registered currency to presentation currency at the exchange rate effective on the reporting date. Effect of this translation is presented in the Foreign Currency Translation reserve, which is a non-distributable reserve.

The share capital was translated from EUR to CZK using 2021 year-end exchange rate CZK/EUR 24.86 (31 December 2020: 26.245).

9.2 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 CZK 3,492 million (2020: 25,624 million) and reduced by CZK 23,150 million (2020: nil).

Of the share premium decrease an amount of CZK 20,714 million related to refinancing with a syndicated loan (refer to note 8). Of the share premium increase an amount of CZK 1,103 million related to the merger with PPF A3 B.V. (refer to note 5).

As at 31 December 2021 the share premium amounts to CZK 18,335 million (2020: CZK 37,993 million).

9.3 Currency translation reserve

Currency translation reserve as at 31 December 2021 comprised CZK 26,810 (31 December 2020; CZK 785).

9.4 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 2021 is higher than the consolidated result by EUR 2 million as disclosed below (2020: lower by EUR 7 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 (unless stated otherwise)

	Share capital	Share premium	Revaluation reserve	Legal and statutory reserves	Translation reserve	Hedging reserve	Other reserves	Retained earnings	**Attributable to equity holders of parent**
Individual balance as at 31 December 2021 in CZK mil	1	18,335	-	-	-	-	-	3,339	21,675
Individual balance as at 31 December 2021 in EUR mil	**-**	**738**	**-**	**-**	**-**	**-**	**-**	**134**	**872**
Adjustment for:									
Historical to year-end FX rate		(98)							(98)
Dividend income								(211)	(211)
Net result of subsidiaries in 2021								209	209
Reserves related to subsidiaries	-	-	-	-	47	1	114	(120)	42
Consolidated balance as at 31 December 2021	**-**	**640**	**-**	**-**	**47**	**1**	**114**	**12**	**814**

In millions of EUR (unless stated otherwise)

	Share capital	Share premium	Revaluation reserve	Legal and statutory reserves	Translation reserve	Hedging reserve	Other reserves	Retained earnings	**Attributable to equity holders of parent**
Individual balance as at 31 December 2020 in CZK mil	**-**	37,993	-	-	-	-	-	2,871	40,864
Individual balance as at 31 December 2020 in EUR mil	**-**	**1,448**	**-**	**-**	**-**	**-**	**-**	**109**	**1,557**
Adjustment for:									
Historical to year-end FX rate		8							8
Dividend income								(95)	(95)
Net result of subsidiaries in 2020								102	102
Reserves related to subsidiaries	-	-	-	-	20	4	71	(152)	(57)
Consolidated balance as at 31 December 2020	**-**	**1,456**	**-**	**-**	**20**	**4**	**71**	**(36)**	**1,515**

10 Dividend income

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

In millions of CZK, for the year ended 31 December

	2021	2020
CETIN a.s.	2,275	2,507
TMT Hungary Infra B.V.	850	-
CETIN Bulgaria EAD	1,106	
CETIN d.o.o. Beograd-Novi Beograd	1,184	-
Total dividend income	**5,415**	**2,507**

11 Operating expenses

In millions of CZK, for the year ended 31 December

	2021	2020
Professional expenses	88	1
Financial expenses	27	-
Total operating expenses	**115**	**1**

Professional expenses represented namely professional, legal and accounting services provided to the Company.

12 Finance costs

In millions of CZK, for the year ended 31 December

	2021	2020
Interest expense on due to banks	71	-
Amortised origination fees	15	-
Total finance costs	**86**	**-**

13 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 CZK, for the year ended 31 December

	2021	2020
Audit of the financial statements	1,092	459
Other audit engagements	13,117	-
Tax-related advisory services	-	-
Other non-audit services	-	-
Total audit fee	**14,209**	**459**

14 Income tax

In millions of CZK, for the year ended 31 December

	2021	2020
Profit before tax	5,714	2,148
Non-taxable dividend	(5,415)	(2,507)
Non-deductible costs (other)	462	358
Non-taxable income	(416)	-
Utilized tax loss previous years	(345)	
Profit / (Loss) taxable	**-**	**(1)**
15% up to TEUR 245 – (2021)	-	-
16,5% up to TEUR 200 – (2020)	-	-
25% over amounts above TEUR 245 – (2021)	-	-
25% over amounts above TEUR 200 – (2020)	-	-
Income tax expense	**-**	**-**

Unutilized tax losses for a total amount of CZK 641 million (2020: CZK 986 million) are not recognized as its future utilization is uncertain.

15 Employees and directors

During the reporting period the Company did not employ any personnel. The Company had 4 directors as at 31 December 2021 (31 December 2020: 4 directors). During 2021 and 2020 directors of the Company were not entitled to any remuneration.

16 Related parties

The Company has a related party relationship with its parent, subsidiaries and associates. 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 2021 and 2020.

17 Events after the reporting period

On 9 March 2022, the Company’s sole shareholder PPF Telecom Group B.V. and its partner GiC successfully completed the sale transaction of a 30% share in the Company. PPF Telecom Group B.V. keeps acting as the controlling party over the Company, GiC will act as a non-controlling interest.

On 9 March 2022, new Articles of Association were adopted, in connection with the sale of the 30% stake in the Company by its shareholder PPF Telecom Group B.V. The changes mainly concern the composition of the Management Board which has grown as at the date of these financial statements.

18 Profit appropriation for 2021

In 2021, the Company distributed dividend to its shareholder in total amount of CZK 5,247 million from the 2021 result (2020: CZK 2,506 million).

19 Confirmation

The Company´s financial statements for the year ended 31 December 2021 give a true and fair view of the Company´s financial condition and operations as at and for the year ended 31 December 2021.

Date: 21 March 2022	Signature of the Board of Directors:

Other information

Profit appropriation

The allocation of profits accrued in a financial year shall be determined by the General Meeting of Shareholders. 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 of Shareholders may resolve at the proposal of the management board to make interim distributions and/or to make distributions at the expense of any 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.

Independent auditor's report

To: the General Meeting of CETIN Group N.V.

Report on the audit of the accompanying financial statements

Our opinion

We have audited the financial statements 2021 of CETIN Group N.V., based in Amsterdam, the Netherlands.

In our opinion the accompanying financial statements give a true and fair view of the financial position of CETIN Group N.V. ('the Company') as at 31 December 2021 and of its result and its cash flows for the year 2021 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.

The financial statements comprise:

1. the consolidated and company statement of financial position as at 31 December 2021;
2. the following consolidated and company statements for the year 2021: 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 Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

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

Report on the other information included in the annual accounts

In addition to the financial statements and our auditor's report thereon, the annual accounts contain 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;

— contains the information as required by Part 9 of Book 2 of the Dutch Civil Code regarding the management report and the 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 management report, in accordance with Part 9 of Book 2 of the Dutch Civil Code, and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Description of the responsibilities for the financial statements

Responsibilities of the Board of Directors 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 the Board of Directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the financial statements, the Board of Directors is responsible for assessing the company'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 the Company 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.

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 have detected all material errors and fraud during our audit.

Misstatements can arise from fraud or errors 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 the 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.

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 errors or fraud, 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 for one resulting from errors, 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 the Company'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 management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company ceasing 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.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

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

Amstelveen, 21 March 2022

KPMG Accountants N.V.

F.A.M. Croiset van Uchelen RA