



Annual Report
2021

Q2

This version of the Annual Report is a translation from the original which was prepared in the Czech language.

All possible care has been taken to ensure that the translation is an accurate representation of the original.

However, in all matters of interpretation of information, views or opinions, the Czech version of the Annual Report takes precedence over this translation.

Note:

O2 Czech Republic a.s., further below also as "O2 CZ" or "Company".

O2 Slovakia, s.r.o., further below also as "O2 Slovakia".

O2 Czech Republic Group ("the Group") includes the Company and its subsidiaries.

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Financial and operating
highlights

Financial and operating highlights

Financial data is based on the Consolidated Financial Statements for the year ended 31 December 2021 prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

	2021	2020
Financials (in CZKm)		
Revenues ¹	40,740	39,771
EBITDA	14,377	13,321
Operating profit	8,544	7,920
Profit before taxes	8,174	7,430
Profit for the period	6,454	5,846
Total assets	40,032	40,401
Property, plant and equipment	6,106	6,176
Intangible assets	16,196	17,520
Total equity	14,048	13,786
Financial debts (long-term and short-term) ²	12,890	13,159
Capital expenditure (fixed assets additions) ³	3,587	5,971
Retained earnings – consolidated	6,978	5,626
– unconsolidated	8,823	7,546
Operating indicators (as at year-end)		
Fixed voice lines (in thousand)	356	403
Fixed broadband (in thousand) ⁴	879	855
Pay TV – O ₂ TV (in thousand) ⁵	603	529
Mobile SIM cards in the Czech Republic (in thousand) ⁶	6,043	5,968
Active mobile SIM cards in Slovakia (in thousand) ⁷	2,251	2,230
Number of employees of the Group (FTE at year end)	4,803	4,993

¹ Excluding revenues from non-telecommunications services.

² Excluding lease liabilities.

³ 2020: including investments in spectrum licences and in the extension of the exclusive right to use the O₂ brand.

⁴ Fixed (xDSL, fibre), wireless (4G LTE, WTTx).

⁵ IPTV & OTT, Prepaid (O₂ TV Sport Pack online and O₂ TV HBO and Sport Pack tariffs).

⁶ Mobile customers who have generated revenue in the past 13 months.

⁷ Mobile customers who have generated revenue in the past 3 months. Mobile customers and wireless broadband customers.

	2021	2020
Ratios		
EBITDA margin (EBITDA / Revenues, in %)	35.3	33.5
Profit after taxes / Revenues (in %)	15.8	14.7
Capital expenditure / Revenues (in %)	8.8	15.0
Gross gearing (Financial debts / Total equity, in %)	91.8	95.5
Net debt (Financial debt less Cash and cash equivalents) / EBITDA	0.65	0.69
Profit ⁸ per share – consolidated (CZK)	21.5	19.5
– unconsolidated (CZK)	21.2	19.2
Macroeconomic indicators⁹		
CZK / EUR exchange rate – average	25.65	26.44
CZK / EUR exchange rate – at end of period	24.86	26.25

⁸ Profit attributable to equity holders of the Company divided by weighted average of shares outstanding.

⁹ Source: Czech National Bank website page (FX rates of other currencies).

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Basic information

Basic information

Company information

Business name:	O2 Czech Republic a.s.
Registered seat:	Praha 4-Michle, Za Brumlovkou 266/2, Postal Code 140 22, Czech Republic
Company ID no.:	60193336
VAT registration no.:	CZ60193336
LEI (Legal Entity Identifier):	3157004ICDH3MRKW7534
Date of incorporation:	16 December 1993
Legally existing from:	1 January 1994
Legal form:	joint-stock company
Commercial court:	Municipal Court in Prague
Commercial court record number:	Section B, File 2322
Web:	https://www.o2.cz/spolecnost/en/investor-relations/

O2 Czech Republic concern and the Group organisation structure

The Company is the parent company of a number of companies which it owns directly or through other members of the O2 Czech Republic concern. Major subsidiaries, in which it directly holds 100% of the shares and with which it forms a concern within the meaning of Section 79 et seq. of the Business Corporations Act (O2 CZ is here in the position of the dominant person), include the following companies:

With a registered seat in the Czech Republic ¹

- O2 Family, s.r.o.
- O2 TV s.r.o.
- O2 IT Services s.r.o.
- Bolt Start Up Development a.s.
- Asake HW s.r.o. v likvidaci (previously eKasa s.r.o.)
- O2 Financial Services s.r.o.

With a registered seat in Slovakia ²

- O2 Slovakia, s.r.o.
- O2 Business Services, a. s.³

Details of those companies, including the list of associates and joint ventures, as well as any changes which occurred in 2021, are given in Note 26 Subsidiaries to the Consolidated Financial Statements.

The Group consists of O2 CZ, the above-mentioned major subsidiaries, Emeldi Technologies s.r.o. and subsidiaries owned by another member of the O2 Czech Republic concern, specifically: mluvii.com s.r.o., Smart home security s.r.o. a INTENS Corporation s.r.o.

¹ The seat of all companies is Praha 4, Michle, Za Brumlovkou 266/2, Postal Code 140 22.

² The seat of both companies is Bratislava, Einsteinova 24, Postal Code 851 01.

³ Owned through the subsidiary O2 Slovakia, s.r.o.

Employees

Total headcount in FTE of the Group by market as at 31 December 2021:

O2 Czech Republic	3,686
O2 Family	74
O2 TV	15
O2 IT Services	180
Other companies ⁴	83
EMPLOYEES IN THE CZECH REPUBLIC	4,038
O2 Slovakia	724
O2 Business Services	41
EMPLOYEES IN SLOVAKIA	765
GROUP EMPLOYEES TOTAL	4,803

Rating

As at 31 December 2021, O2 CZ or any member of the Group did not have a corporate rating.

of financial data, providing report users with additional information for their assessment of the financial position and performance of the Group in accordance with the ESMA Guidelines on Alternative Performance Measures.

Auditor fees

The information is stated in the notes to the consolidated financial statements of the parent company in which the Group is included.

Alternative performance measures

The Annual Report lists some alternative performance measures which are not reported as standard in the consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by EU. O2 CZ provides more detailed information on these alternative performance measures, which represent supplementary information in respect

⁴ Asake HW s.r.o. v likvidaci (previously eKasa s.r.o.), O2 Financial Services, INTENS Corporation, mluvi.com, Emeldi Technologies.

Measure	Definition	Purpose	Reconciliation to financial statements (in CZKm)
Adjusted operating profit EBITDA („EBITDA“)	Operating profit plus amortization of tangible and intangible assets, right-of-use assets, incremental contract acquisition costs and impairment losses on fixed assets	Shows operating performance of the company	See Consolidated statement of comprehensive income (Operating profit, Depreciation and amortisation, Impairment losses): 2020: 7,920 + 15 + 584 + 4,802 = 13,321 2021: 8,544 + 599 + 639 + 4,595 = 14,377
EBITDA margin	Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) to Revenues	Measures operating profitability of the company	See Consolidated Statement of Comprehensive Income (Revenue and EBITDA): 2020: 13,321 / 39,771 = 33.5% 2021: 14,377 / 40,740 = 35.3%
Gross gearing	Financial liabilities (excluding lease liabilities) to equity	Shows the share of borrowings the company uses for its operation to total equity	See Consolidated balance sheet (Total equity, Long-term and short-term financial liabilities): 2020: (13,084 + 75) / 13,786 = 95.5% 2021: (11,978 + 912) / 14,048 = 91.8%
Net gearing / EBITDA	Financial liabilities less cash and cash equivalents to earnings before interest, taxes, depreciation and amortisation (EBITDA)	Expresses the company's ability to pay its debts; roughly reflects the time the company needs to repay all its debts from its standard operating cash flow	See Consolidated Statement of Comprehensive Income (EBITDA) and Consolidated Balance Sheet (Cash and cash equivalents, Long-term and short-term financial liabilities): 2020: (13,084 + 75 – 3,922) / 13,321 = 0.69 2021: (11,978 + 912 – 3,551) / 14,377 = 0.65
Capital expenditures / Revenues	Investment expenditure (additions to fixed assets) to revenue	Expresses the amount the company invests in its future development	See the Consolidated Statement of Comprehensive Income (Revenues) and Note 3 Segment Information of the Notes to the Consolidated Financial Statements (Additions to fixed assets): 2020: 5,971 / 39,771 = 15.0% ⁵ 2021: 3,587 / 40,740 = 8.8%
Free cash flows	Net cash flows from operating activities less net cash flows from investing activities (from 2019, interest paid, including interest expense on lease liabilities, is included in cash flows from financing activities)	Measures the volume of cash and cash equivalents which the Company generates after it has paid for all items necessary to continue its operations	See Consolidated statement of cash flows (Net cash flows from operating activities, Net cash flows from investing activities): 2020: 12,309 – 5,343 = 6,966 2021: 10,474 – 3,277 = 7,197

⁵ Including investments in licenses to operate mobile networks and the extension of the exclusive right to use the O₂ trademark.

Non-financial information

The Company publishes non-financial information (including information on sustainability and employee relations activities) in a separate report in the scope as required by Section 32(g) of Act No. 563/1991, On accounting. The separate report will be made available on 30 June 2022 at the Company's website. This report will also include a description of any environmental issues that may affect the Company's use of tangible fixed assets.

Legal norms which the Company observes in the course of its business

In 2021, activities of O2 CZ (as an issuer of listed securities) were governed by the following legal regulations:

- Act No. 455/1991 Coll., Trade Licensing Act,
- Act No. 89/2012 Coll., Civil Code,
- Act No. 90/2012 Coll., the Business Corporations Act,
- Act No. 256/2004 Coll., On capital market undertakings,
- Act No. 127/2005 Coll., On electronic communications,
- Act No 231/2001 Coll., On the operation of radio and television broadcasting,
- Act No. 134/2016 Coll., On public procurement,
- Act No. 257/2016 Coll., On consumer credit,
- Act No. 170/2018 Coll., On the distribution of insurance and reinsurance,
- Act No. 121/2000 Coll., On copyright,
- Act No. 480/2004 Coll., On certain information society services,
- Act No 132/2010 Coll., On On-demand audiovisual media services,
- Act No 496/2012 Coll., On audiovisual works and support for cinematography,
- Act No 40/1995 Coll., On the regulation of advertising,
- Act No 441/2003 Coll., On trademarks,
- Act No. 563/1991 Coll., On accounting,
- Act No. 110/2019 Coll., On the processing of personal data,
- Act No. 143/2001 Coll., On the protection of competition,

- Act No. 634/1992 Coll., On consumer protection,
- Act No. 181/2014 Coll., On cyber security,
- Regulation (EU) 2016/679 of the European Parliament and of the Council on the protection of natural persons with regard to the processing of personal data and on the free movement of such data,
- Regulation (EU) 531/2012 of the European Parliament and of the Council on roaming on public mobile communications networks in the Union,
- Regulation (EU) 2015/2120 of the European Parliament and of the Council laying down measures concerning open internet access and amending Directive 2002/22/EC on universal service and users' rights relating to electronic communications networks and services and Regulation (EU) No 531/2012 on roaming on public mobile communications networks within the Union.

Activities in research and development

The Group incurs internal costs associated with research and development activities pursuant to Section 2 (1) of the Act No. 130/2002 Coll., on Support of Research and Development. In 2021, O2 CZ, as a major technology company, was involved in the research and development of artificial intelligence, the application of which is expected not only in telecommunications, but also in banking, healthcare and pharmaceutical industry. The activities that are to be carried out at Dataclair.ai are focused on advanced big data processing, machine learning and neural networks.

Foreign branches

O2 CZ owns a 100% stake in O2 Slovakia, s.r.o. and O2 Slovakia owns 100% stake in O2 Business Services, a.s. O2 CZ does not have a branch or any part of the business establishment in another country.

Other information

There are no environmental issues that may affect the use of property, plant and equipment by O2 CZ or other Group companies. Similarly, there are no restrictions on the use of capital resources that have materially affected or could materially affect the Company's operations, even indirectly. Details of any significant administrative, legal or arbitration proceedings are disclosed in Note 21 Potential liabilities and litigation of the Notes to the Consolidated Financial Statements.

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Overview of events
and results in 2021

Overview of events and results in 2021

About the Group and a summary of the year 2021

O2 CZ is the largest telecommunications operator on the Czech market. The Company provides voice, internet and data services to customers ranging from households to small and medium-sized businesses to large corporations, focusing on always offering customers the most advanced technologies. For example, the Company is currently launching a fifth-generation (5G) mobile network, which it was also the first to put into commercial operation. The Company is also the largest Internet provider for households and businesses, which is available in 99% of the populated territory of the Czech Republic. The Company also in-house developed the O₂ Smart Box modem, to give its customers the best experience of its internet service. With its O₂ TV service, O2 CZ is the largest provider of Internet TV service in the Czech Republic. O2 CZ has acquired many exclusive rights to sports content for its customers and as a result, it has the most attractive sports proposition on the Czech television market. The Company is one of the biggest players in hosting and cloud services, as well as in managed services and ICT. As trends in the telecommunications sector are changing significantly, O2 CZ also focuses on the development and offering of innovative telecommunications services. These include, in particular, financial services such as device insurance and mobile travel insurance.

Virtual operators also use the O2 mobile network to operate their services. The most important MVNOs in terms of the size of the customer base are O2 Family, BLESKmobil, Tesco Mobile and MOBIL OD ČEZ.

In Slovakia, O2 Slovakia offers mobile services for the consumer market and small and medium-sized businesses. Since 2017, the company has also been providing wireless internet and O₂ TV digital television over LTE TDD technology in the 3.5 GHz

and 3.7 GHz frequency spectrum. O2 Business Services, a 100% subsidiary of O2 Slovakia, offers a comprehensive portfolio of fixed and mobile telecommunication services and ICT solutions for corporate customers.

Through the O2 Foundation, O2 CZ focuses on developing the skills of children and young people in the area of digital literacy. The O2 Smart School programme helps teachers and parents teach children how to use the Internet in a safe and smart way. The Company also initiated the website *Bezpečně v síti.cz* (Safe on the net), which helps parents protect their children in the online world. The Foundation traditionally supports assistance and accessibility services for the deaf and blind and the Safety Line for children and Seniors Line for elderly citizens. As part of a long-term social responsibility campaign, Freedom Must Not Be Taken for Granted, it recalls historic moments of the second half of the 20th century.

In the view of the Board of Directors of the Company, the Group's financial performance in 2021 has been negatively impacted by the ongoing COVID-19 pandemic as well as adverse regulatory developments and significant price increases in the economy. Although the trend of significant increase in the customers' mobile data consumption in 2021 continued, the year-on-year revenue growth in the mobile segment in the Czech Republic was frustrated by significantly weaker roaming and the European regulation of termination fees which came into effect in the second half of the year. In addition to O₂ TV, other areas such as ICT and equipment sales also contributed to revenue growth in the fixed line segment. To offset the negative impact of the pandemic, the management continued to reduce both operating and ongoing capital expenditure despite conflicting inflationary pressures. This resulted in an increase in operating profit and consolidated net income. As of the date of the Annual Report, these inflationary pressures,

together with the energy crisis and the COVID-19 pandemic, continue to persist.

Digitalization of customer service and collaboration between distribution channels continued to be a key priority for the Company, and contributed to very high level of customer loyalty.

In June 2021, PPF Group announced its intention to acquire more than 90% of the Company's share capital in order to delist the Company's shares from trading on regulated markets. Subsequently, PPF Telco B.V. acquired more than 90% of the Company's share capital and thus became the principal shareholder within the meaning of the Business Corporations Act. In December, the principal shareholder then requested the Company to convene a General Meeting with a proposal to resolve on the transfer of all shares to the principal shareholder. More information on the General Meeting called at the proposal of the principal shareholder is set out in Chapter 4 Corporate Governance, which forms part of this Annual Report. In January 2022, the Board of Directors published the result of the resolution of the General Meeting that approved the proposal of the principal shareholder. The principal shareholder will pay a consideration of CZK 270 per share to all other shareholders for the transferring shares.

Factors influencing the business

The impact of the COVID-19 pandemic on the Group's financial results

In the context of the ongoing COVID-19 pandemic, as in 2020, the government of the Czech Republic continued to keep the entire territory of the Czech Republic in a state of emergency. Simultaneously, various pandemic measures were in effect, which had a bearing on the business environment and O2 CZ. The government compensation in particular maintained the solvency of customers in 2021; however, the sharp rise in energy prices, which is a manifestation of the ongoing energy crisis, could, together with the closure of the government compensation schemes, negatively affect the solvency of some of the Company's customers.

In 2021, O2 CZ's brand stores in the Czech Republic remained open, the Company however continued to see significantly lower customer traffic in its retail stores, which impacted performance in service and equipment sales. Lower interest in travel continued to negatively impact revenues and operating profit from both inbound and outbound roaming.

Disruption of global supply chains

One of the major challenges faced by global economies in 2021 is the disruption to supply chains that has occurred as a result of the pandemic and associated restrictions. As a result, the Company has had to deal with extended lead times, increased shipping costs and frequently unavailable goods from leading suppliers. This had a negative impact on equipment sales.

Disruptions in global supply chains and rising energy prices, together with other factors, produced strong inflationary pressures. The significant increase of inflation began to impact the Company's operating costs, and to mitigate the impact of these changes, the Company continued to focus intensively on cost efficiency and tight control of all costs. As of the date of the Annual Report, these inflationary pressures, together with the energy crisis and the COVID-19 pandemic, continue to persist.

Czech and Slovak telecommunications market

In line with previous developments on the Czech telecommunications market, operators continued to modify and improve service packages that combine fixed and mobile services. In the Czech Republic, all major mobile operators introduced improved mobile tariff offers. Developments in the Slovak telecommunications market in 2021 were marked by strengthening fixed-mobile convergence.

Regulation

In January, following a competitive tender, the Czech Telecommunications Office (CTO) awarded the Company radio spectrum licence for the 700 MHz and 3,500 MHz frequencies.

In June, the CTO imposed on the Company the obligation to provide universal service for special terminal equipment for a further 18 months until the end of 2022. From 2023, in accordance with the new wording of the Act, it is expected to be imposed again in an extended scope. This obligation will not have a significant financial impact on the Company.

In September, the CTO completed its analysis of relevant market (wholesale market for access to mobile services) in order to enable regulation of the wholesale market. In November, the CTO sent a draft analysis to the European Commission, which in February 2022 decided to reject it because it found no grounds for its notification. As a result, the CTO is unable to regulate the wholesale market for access to mobile services on the basis of this decision.

In October, a law transposing the European Telecommunications Directive, the so-called Electronic Communications Code, was published in the Collection of Laws with effect from 1 January 2022. This amendment to the law newly regulates a number of rights and obligations of entities operating in the telecommunications sector, both in relation to the provision of electronic communications services, network operations and radio frequencies.

In December, the CTO imposed on the Company the obligation to provide universal service of special price plans for selected disadvantaged groups of citizens for another year, i.e. until the end of 2022. From 2023, in accordance with the new wording

of the law, it is expected to be re-imposed in an extended scope.

Due to the expiry of the radio spectrum allocation in the 2,100 MHz frequency, a new allocation was issued to the Company in December as part of the renewal process, for a further 20 years until 31 December 2041.

Comments on the consolidated financial and operating results

In this section we present and comment on the consolidated financial results of the O2 Group based on the consolidated financial statements for the year ended 31 December 2021 prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

Consolidated financial results

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The Group's total consolidated revenues reached CZK 40.7 billion in 2021, up 2.4% year on year, with mobile data and O₂ TV being the main drivers of growth. In the Czech Republic, revenues increased by 2.3% to CZK 33.2 billion, driven by 2.9% growth in fixed segment revenues to CZK 12.5 billion and 1.9% growth in mobile segment revenues to CZK 20.7 billion. In Slovakia, total revenues grew by 1.8% to CZK 7.8 billion in 2021.

Consolidated revenues shown in regional segmentation:

	year ended 31 December (in CZKm)	
	2021	2020
Czech Republic	33,214	32,462
Mobile sub-segment ¹	20,739	20,344
Fixed sub-segment	12,475	12,118
Slovakia	7,818	7,681
Consolidation adjustments	-292	-372
TOTAL CONSOLIDATED REVENUES	40,740	39,771

¹ Including revenues from wireless (4G LTE and WTTx) broadband HD internet.

As a result of strict cost control, focus on savings and the European regulation of termination fees that came into force in the second half of the year, total consolidated costs in 2021 remained flat year on year at CZK 27 billion. While in the Czech Republic costs were down 0.7% year on year to CZK 22.7 billion, in Slovakia they increased by 2.6% to CZK 4.6 billion. Direct cost of sales remained flat year on year; the increase in the cost of sales of mobile equipment fully offset by lower cost of sales of mobile services and fixed access equipment. Personnel costs were up 1.3% in 2021. Third party service costs increased 4.8% year on year, mainly due to increases in marketing costs and building and vehicle rental costs. Impairment losses on financial assets reached CZK 207 million in 2021, down 50.2% year on year. Already in line with IFRS 9 requirements, the higher provisioning in 2020 reflected the deterioration in macroeconomic indicators and forecasts for future developments due to the restrictive measures related to the outbreak of the COVID-19 pandemic. The creation of these extraordinary provisions concerned mainly to overdue receivables and long-term receivables related to the instalment sale of equipment.

Earnings before interest, taxes, depreciation and amortization (EBITDA) reached CZK 14.4 billion in 2021, up 7.9% compared to 2020. In the Czech Republic², EBITDA increased by 9.6% to CZK 11 billion, while in Slovakia it was up 2.8% to CZK 3.4 billion³. As a result, the consolidated EBITDA margin in 2021 reached 35.3%, which represents an increase of 1.8 percentage point on the year 2020.

Consolidated operating profit increased by 7.9% year on year to reach CZK 8.5 billion in 2021, while consolidated profit before tax grew by 10.0% to CZK 8.2 billion. Net financial expenses decreased by 24.3% year on year. Consolidated profit after tax in 2021 thus reached a total of CZK 6.5 billion, up 10.4% year on year.

CONSOLIDATED BALANCE SHEET

The net book value of property, plant and equipment amounted to CZK 6.1 billion as at 31 December 2021, which was down 1.1% on the

year 2020. The most significant part of the net book value was represented by telecommunications technologies and equipment, which mainly include exchanges and transmission network technology.

The net book value of intangible assets amounted to CZK 16.2 billion as at 31 December 2021, down 7.6% year on year mainly due to lower capital expenditure compared to the previous year. The higher capital expenditure in 2020 went mainly into telecommunications licences and the extension of the licence agreement for the use of the O₂ brand. In 2021, the Company recognised an impairment loss of CZK 536 million on fixed assets. For more information on intangible assets, see Note 11 of the Notes to the Consolidated Financial Statements included in this Annual Report.

The total amount of consolidated financial debt (short-term and long-term) amounted to CZK 12.9 billion as at 31 December 2021, compared to CZK 13.2 billion at the end of 2020. More information on financial liabilities is provided in Note 17 to the Consolidated Financial Statements, which forms a part of this Annual Report. As at 31 December 2021, the volume of cash and cash equivalents reached the level of CZK 3.6 billion, bringing the ratio of net debt to EBITDA to 0.65 as at 31 December 2021.

CONSOLIDATED CAPITAL EXPENDITURE

Total consolidated capital expenditure (additions to fixed assets) totalled CZK 3.6 billion in 2021 compared to CZK 6 billion in 2020 and its ratio to consolidated revenues was 8.8%.

Capital expenditure in Slovakia fell by 19% year on year to CZK 1.5 billion and its ratio to consolidated revenues dropped by almost 5 percentage points to 18.7%. More than 70% of investments in Slovakia in 2021 went into networks, mainly the construction of next-generation 5G mobile networks and Radio Access Network (RAN) upgrades, which require a major generational modernisation of current 2G, 3G and 4G technologies. O2 Slovakia also continued to further increase backbone and transmission network capacity.

² 2020: 5,792 + 15 + 510 + 409 + 3,294 = 10,020, 2021: 6,562 + 579 + 504 + 444 + 2,894 = 10,983

³ 2020: 2,126 + 0 + 266 + 175 + 782 = 3,349, 2021: 1,983 + 20 + 256 + 195 + 990 = 3,444

In the Czech Republic, capital expenditure totalled CZK 2.1 billion in 2021 and its ratio to consolidated revenues decreased by more than 6 percentage points to 6.4% year on year. This includes the cost of CZK 0.6 billion for the renewal of the 2,100 MHz radio spectrum allocation and the cost of acquired sports broadcasting rights. The main areas of current investments were the development of information systems and network projects related to the development of new services.

All investments in 2021 were made in the Czech Republic and Slovak Republic and have been financed from own resources and from loans.

CONSOLIDATED CASH FLOW STATEMENT

Consolidated free cash flows reached a total of CZK 7.2 billion in 2021, up 3.3% on the year 2020. Net cash flows from operating activities decreased by 14.9% year on year, mainly due to a year-on-year negative change in working capital in connection with an increase in receivables. Net cash flows from investing activities decreased by 38.7% year on year due to lower cash flows spent on the acquisition of intangible fixed assets.

Results in the Czech Republic

In 2021, revenues in the Czech Republic increased by 2.3% year on year to CZK 33.2 billion. In the fixed line segment, the increase was 2.9% to CZK 12.5 billion, with a 5.5% growth in revenues from O₂ TV and internet, 3.1% growth in revenues from ICT services and a 9.1% growth of revenues from equipment sales more than compensated for lower revenues from traditional voice services. Revenues of the mobile segment in 2021 grew by 1.9% in 2021 to reach CZK 20.7 billion. Revenues from voice and SMS / MMS services were down by 4.8%, revenues from financial services by 20.5% and revenues from mobile termination by 8.4%; however, this was offset by a 11.5% increase in mobile internet and data revenues.

As the largest Internet provider in the Czech Republic, the Company continued to respond to the growing demands of its customers and continued to accelerate its Internet connections. Thanks to bonding, the construction of forward DSLAMs, the combination of fixed and mobile

services and investments in fibre optic connections, the available speeds for more than one million homes have been doubled. O2 CZ offered all new customers a discounted price for the first six months of Internet HD.

To help customers enjoy fast internet and a home Wi-Fi network to the fullest, the Company introduced a new super-powerful O₂ Smart Box. It combines the functions of the most powerful modem, Wi-Fi router and smart home centre with a user interface in the mobile app of the same name. It offers the latest Wi-Fi 6 standard operating on 2.4 and 5 GHz frequencies. This makes it one of the most advanced devices on the market. The new standard offers an increase in network capacity and a significant increase in speed up to 1 Gbit/s. Thanks to Wi-Fi 6, the O₂ Smart Box connects up to ten times more devices and cuts the energy consumption of the connected devices. The new generation of wireless networks is already supported by a range of end devices including mobile phones.

With its O₂ TV service, the Company is the largest internet TV provider in the Czech Republic and continues to significantly build up its sports proposition for its customers. In mid-August, it added new channels to bring the world's most famous football competitions. Hundreds of UEFA Champions League, German Bundesliga, Italian Serie A and also the Spanish La Liga matches will be broadcast on the new sports channels Premier Sport 2, Nova Sport 3 and Nova Sport 4. In the 2021/2022 season, O₂ TV will be the only broadcaster on the market to provide a complete sports experience, including the English Premier League and all FORTUNA:LIGA matches.

In September, the Company introduced accelerated unlimited *NEO* tariffs, significantly increased data volumes for the *FREE+* offer and activated 5G for flat-rate customers. Customers can thus choose between different data plans or connection speeds according to their needs. All new tariffs, including unlimited ones, now come at a lower price with home internet and O₂ Spolu bundles. The proposition for customers under 26 has also been revamped as the Company activated 5G on its tariffs aimed at the young market and doubled the speed of the *You NEO* tariff.

During September and October, the Company added additional television brands for which the O₂TV app is available. The app is now available also for LG smart TVs, in addition to the standing line-up of Samsung, Sony, Philips and Panasonic. In the app, customers can use all the features they are used to from the regular O₂ TV interface. Viewers can play back content for up to seven days, skip through programmes, and record or search for programmes by title or genre.

Following the success of the two generations of O₂ Smart Box, as part of its Christmas campaign the Company introduced fully wireless O₂ Pods.

Mainly as a result of the continued demand for data tariffs and bundles of mobile tariffs with other services in O₂ Spolu bundles, the total number of mobile SIM cards registered at the end of 2021 reached 6,043 thousand. Of this, the base of mobile contract customers accounted for 3,371 thousand and at 31 December 2021, the base of mobile prepaid customers was 1,865 thousand and the number of M2M SIM cards reached 807 thousand.

The number of services of any of O₂ TV's tariffs (IPTV and OTT versions), which works on a fixed line from O2 CZ and on an internet connection from any other provider, reached a total of 603 thousand as at 31 December 2021, including customers who use the monthly O₂ TV Sport Pack online and O₂ TV HBO and Sport Pack packages.

The number of customers of fixed broadband internet, both cable and wireless, reached a total of 879 thousand at the end of 2021.

Results in Slovakia

In 2021, revenues in Slovakia grew by 1.8% year on year to CZK 7.8 billion; mobile revenues grew by 0.8% year on year to CZK 7.4 billion. The decline of 7.2% in voice and SMS / MMS revenues, 15.6% in financial services revenues and 6.4% in mobile termination revenues were offset by a 10.8% increase in revenues from the sale of equipment and an 8.9% increase in mobile internet and data revenues. Revenues from the fixed segment increased by 20.8% to CZK 442 million.

In February, O2 Slovakia revamped its popular O₂ Internet na doma and O₂ TV proposition. The company also entered the convergent services market by introducing the O₂ Spolu bundle, which has been offered by O2 CZ in the Czech Republic for several years. This service allows customers of mobile flat-rate services to get home internet at a discounted rate. The more services customers combine in one billing profile, the higher the discount on the price of the O₂ Internet na doma.

O2 Slovakia forged ahead with the development and upgrades of its mobile network. In the first half of 2021, the company started the most extensive upgrade of its radio access networks (RAN) to date. Ericsson was selected as the technology supplier.

Since the end of April, customers of the digital operator Radost can call their loved ones without restrictions via VoLTE and VoWiFi services, which are automatically activated for every customer. At the same time, Radost customers now have the option of having multiple SIM cards activated for one birth certificate number.

At the end of May 2021, O2 Slovakia introduced its own registry and initiative Nevolajtemi.sk to help people protect themselves against unsolicited calls. This registry served anyone who wanted to verify an unknown number or to report a suspicious call.

In early September, O2 Slovakia announced 15 new locations with 5G signal availability, while also outlining its plans related to further infrastructure roll-out.

The number of active O2 Slovakia SIM cards reached a total of 2,251 thousand as at 31 December 2021. Of these, the contract services accounted for 1,087 thousand, prepaid services for 690 thousand and M2M services for 474 thousand.

Outlook for 2022

The objective of the Board of Directors of O2 is to build on the business strategy and activities of 2021. Accordingly, in 2022, Group companies will continue to offer and promote their existing ones and develop new, innovative and in many ways unique services and products.

The Company's management remains cautious about the further development of the COVID-19 pandemic and regularly monitors the situation. However, it is unable to predict the duration of the pandemic and all its possible consequences for the Group's financial performance. Furthermore, it is not able to predict the consequences of all current or future steps and measures taken by the Czech and Slovak governments or at the level of the European Union, which will have an impact on the macroeconomic development in both countries. In 2022, the Board of Directors expects increased spendings in the construction and operation of 5G networks in Slovakia as well as in the Czech Republic.

The Company will continue to face the same challenges in 2022 that it faced last year. The inflation rate continues to rise and, as in 2021, is higher than all the Czech National Bank's forecasts. The Board of the Directors views higher inflation as a risk to the Group's financial performance given the associated cost pressures. Rising inflation also poses a risk of a sharp tightening of the fiscal policy and a consequent slowdown in economic growth. Another driver of the inflation was the sharp increase in all energy prices behind the ongoing energy crisis. In the Czech Republic, a number of alternative energy suppliers went out of business due to the sharp increase in energy prices, and almost one million of their customers had to negotiate new contracts that already fully reflect these increased energy prices. This could have a negative impact on the solvency of some of the Company's customers in the future. Another continuing challenge is the difficult logistical situation created by the disruption in supply chains. The Company's Board of Directors continues to expect extended delivery times, increased transportation costs and unavailability of goods from leading suppliers. Among other challenges for 2022, the Board continues to see continued regulatory pressures on end prices in the mobile telecommunications market.

Acquisition of treasury shares of the Company

As part of a share buy-back programme approved by the General Meeting in 2020 (for the period

from 21 December 2020 until 21 December 2022), the Company did not acquire any treasury shares and no treasury shares were disposed of. As at 31 December 2021, O2 CZ held no treasury shares.

Dividend in 2021

In 2021, the Board of Directors of the Company proposed to the shareholders to approve at the General Meeting, held outside the meeting with the voting period from 28 May 2021 to 14 June 2021, the payment of a dividend from the profit for 2020 in the amount of CZK 17 before tax per each share with a nominal value of CZK 10, or CZK 170 per share with a nominal value of CZK 100, and the distribution (reduction) of a part of the Company's share premium among the shareholders in the amount of CZK 4 before tax, or CZK 40 per share with a nominal value of CZK 100.

Those who were shareholders as at 21 June 2021 were entitled to receive both amounts. The payment, which is being made by Česká spořitelna, began on 21 July 2021.

The total amount (before tax) of dividends for 2020 and the amount resulting from the distribution of the part of the share premium amounted to CZK 6.319 billion (dividends for 2020: CZK 5.115 billion, distribution of the part of the share premium: CZK 1.204 billion).

Risk management

Risk management is one of the primary management tools for the effective governance of the Company. Its purpose is to render support in accomplishing the Company's vision and strategy. The risk management model which is being applied fully conforms to the best international practice in the field of corporate governance and the COSO II framework. The risk management system continues to be developed as an integral tool for internal control of the Company. Risks are identified based on a regular assessment of the relevant management levels and suggestions made by the Internal Audit Risk and Management unit and other units of the Company. Risks are evaluated in terms of their potential financial effect and likelihood of materialisation. The governing bodies of the

Company – the Board of Directors, Supervisory Board and the Audit Committee – are regularly briefed on the major risks to the Company and on the ways of their management. In the course of its operations, the Company may be exposed to the below mentioned risks.

COMMERCIAL (MARKET) RISKS

The general economic climate and the competitive situation in the market are a major influence over the Company's business. The demand of customers for the Company's services may be negatively affected by the intensifying competition in the electronic communications marketplace, the entry of a new market player or the strengthening of the position of the existing ones. The Company operates in a regulated marketplace. Regulatory interventions on the European (European Commission) and the national (CTO) level may have a negative effect on the Company's results. New products and technologies may cause existing products and services to become obsolete; they may have also a negative bearing on the profitability of conventional voice and data services. The implementation of the Company's business plans may be adversely affected by government crisis measures in response to a situation such as the COVID-19 pandemic or the energy crisis, both directly and indirectly.

FINANCIAL RISKS

The Company is exposed to various types of financial risk, in particular the risk of losses stemming from defaults on the part of contractual partners with respect to contractual payment and delivery terms, e.g. receivables from customers or sales agents. The solvency of customers may worsen as a result of the ongoing COVID-19 pandemic or the energy crisis or the significant price inflation in the economy.

OPERATING RISKS

The Company is exposed to risks associated with a sudden disruption of service due to network failure, information system downtime or attacks compromising cyber security. Such service interruptions may negatively influence the Company's reputation, and consequently of customer satisfaction and revenues, and make

the Company liable to bear extra maintenance costs or financial sanctions. The Company is also dependent on a small number of key suppliers of essential products, services and network technology whose default or loss of credibility could lead to restrictions of service to customers. The Company is also implicated in several significant litigation cases and is a party to several administrative proceedings with regulators whose outcome cannot be predicted. If the decision is negative to the Company, its costs may increase significantly, which would in turn have a negative effect on its bottom line. The Company may be sanctioned by regulatory authorities in the event of non-compliance of the Company's activities with regulatory rules and legislative requirements.

The management of the Company regularly monitors and addresses the risks in a way that corresponds to the nature of the risk, with the view to limiting the potential effect on the Company's results.

04

Corporate governance

Corporate governance

Organisation structure of O2 Czech Republic a.s.

O2 CZ is headed by the Board of Directors¹, to which the Chief Executive Officer directly reports. The first executive line of the organisation directly under the Chief Executive Officer branches out into the following divisions and specialised units: Commercial Division, Technology Division, Finance Division, Legal and Regulatory Affairs Division, Human Resources Division, Security Unit, Public Sector Unit, Wholesale Services Unit, Corporate Communication Unit and Office of the CEO Unit.

Persons charged with governance²

Persons charged with governance include members of the Company's Board of Directors, Supervisory Board and the executive management of the Company. All persons charged with governance have a work address at the registered office of the Company: Za Brumlovkou 266/2, Michle, 140 22 Prague 4.

In the past five years, none of the persons charged with governance has been deprived by court of their legal capacity to perform the office of a member of governing, executive or supervisory bodies of any issuer, hold a position in the management or perform activities in any legal person. No termination benefits are agreed under contracts concluded with persons charged with governance. No conflict of interest was identified in any person charged with governance. None of them has been convicted of fraudulent offenses for at least the last five years, has not participated in insolvency proceedings in the position of a statutory or supervisory body, or has been charged

or sanctioned by statutory or regulatory bodies. No person charged with governance is in a familial relationship with another person charged with governance in the Company.

General Meeting

The General Meeting is the supreme governing body of the Company in matters related to its business, organisation and operations. The General Meeting is convoked by the Board of Directors at least once a year, to take place within six months from the last day of the accounting period. It is convened by way of a written invitation sent to all shareholders no later than 30 days prior to the date of the General Meeting. The General Meeting constitutes a quorum if shareholders holding shares or equivalent securities with the nominal value exceeding a half of the share capital of the Company are present. Voting is by ballot. Voting may also take place per rollam. The General Meeting passes resolutions by a simple majority of votes present, unless the law or the Company's Articles of Association require otherwise.

The General Meeting has the following key powers to:

- decide on amendments to the Articles of Association (unless the change has been necessitated by other legal circumstances);
- decide on an increase of the share capital or on the authorisation of the Board of Directors (pursuant to Art. 511 et seq. of the Business Corporations Act) or on the option to offset a pecuniary receivable due from the Company against receivable of payment of the subscription price of shares;
- decide on the reduction of the share capital; decide on the issue of bonds where a decision of a general meeting is required by the Business

¹ The Supervisory Board oversees the discharge of executive powers by the Board of Directors (see point Board of Directors further in this section).

² Information pursuant to the Capital Market Undertakings Act applicable to the Company during the relevant period.

Corporations Act; decide to wind up the Company with liquidation, and on the appointment and recall of the liquidator and approve the proposal for the distribution of the liquidation balance; decide on the transformation of the Company unless the law does not clearly imply that such a decision falls to the authority of the board of directors; decide to change the class of shares and the rights attached to specific classes of shares; decide to transform shares as securities to booked shares, or to transform booked shares to securities, or decide on the change of the form of the shares;

- elect and recall members of the Supervisory Board (with the exception of members elected by employees);
- elect and recall members and substitute members of Audit Committee;
- approve regular and extraordinary financial statements and consolidated financial statements and, in cases set forth by law, also interim financial statements; decide upon the distribution of profits or other own resources or coverage of losses;
- discuss a Board of Directors' annual report on the Company's business, and on the situation of the Company's assets as part of the Annual Report³;
- approve contracts for transfer or pledging or mortgaging of a business establishment or any such part thereof that would result in a material change in the structure of the establishment or a material change in the subject of the business or operations of the Company;
- approve of executive service agreements for members of the Supervisory Board and members of the Audit Committee, resolve on remuneration to be paid to these members and approve the rules for the remuneration and awarding any additional of perquisites to these members;
- decide on approval of silent partnership (as well as any changes thereto or termination thereof);
- appoint an auditor to carry out mandatory audits or to audit other documents if necessary;
- decide to approve financial assistance, if such approval is required by the law;
- decide on instructions for members of the Board of Directors, or any other body of the Company, in accordance with the law.

³ According to the Act No. 563/1991 Coll. on Accounting, as amended (Accounting Act).

⁴ Act No. 191/2020 Coll., on Certain Measures to Reduce the Impact of the Coronavirus SARS CoV-2 Epidemic on Participants of Court Proceedings, Injured Persons, Crime Victims and Legal Persons and on Amendment of the Insolvency Act and the Civil Procedure Code.

ORDINARY GENERAL MEETING

In view of the continuing restrictions and the still uncertain outlook for the epidemiological situation, the Board of Directors of the Company has, after careful consideration, concluded that it will invoke the procedure under the Pandemic Act⁴, which, inter alia, by its Section 19, allows corporate bodies to make decisions per rollam even in situations where such a method of passing decisions is not permitted by the Articles of Association of the Company.

DECISIONS OF THE PER ROLLAM GENERAL MEETING 28 MAY 2021 TO 14 JUNE 2021

On 14 May 2021, the Company's Board of Directors published a notice of a per rollam General Meeting with voting dates from 28 May 2021 to 14 June 2021. The notice included the agenda, details of the reason for and the form of the per rollam procedure, all dates associated with the decision, information on the identification of shareholders and their representation, details of the voting process and procedure, information on the number of shares and voting rights, information on shareholder documents, information on shareholder rights and the draft resolutions that will subsequently be put to shareholders for voting.

On 28 May 2021, the per roll call vote was initiated by publishing the draft resolutions, ballot papers and voting rules in the Commercial Bulletin as well as on the Company's website.

On 14 June 2021, the voting was closed and on 16 June 2021, the Company's Board of Directors stated that the General Meeting decided on the proposals outside the meeting (per rollam) and adopted all proposed resolutions by the required majority of votes. On the same day, the results of the resolutions of the General Meeting were published on the Company's website and on 18 June 2021 they were published in the Commercial Bulletin.

DECISIONS OF THE GENERAL MEETING ADOPTED PER ROLLAM

The General Meeting decided outside the meeting per rollam as follows:

- Approved the Company's ordinary and consolidated financial statements for 2020 prepared in accordance with International Financial Reporting Standards. The auditor KPMG Česká republika Audit, s.r.o. issued an unqualified opinion on both financial statements.
- Approved the distribution of the Company's unconsolidated profit for 2020 in the amount of CZK 5,790 million: CZK 5,115 million is to be paid out in dividends (CZK 17 and CZK 170 per each share with a nominal value of CZK 10 and CZK 100, respectively), CZK 667 million is to be transferred to the account of retained earnings and CZK 8 million is to be contributed to the social fund.
- Approved the distribution of a part of the share premium of CZK 1,204 million, which will be paid to shareholders (CZK 4 and CZK 40 per each share with a nominal value of CZK 10 and CZK 100, respectively).
- Appointed KPMG Česká republika Audit, s.r.o. to perform the statutory audit for the accounting period 2021.
- Approved the report on the remuneration of the members of the Company's Board of Directors and Supervisory Board, thereby fulfilling the obligation newly imposed on issuers of securities by the Act on Capital Market Undertakings⁵.
- Approved partial amendments to the Articles of Association with effect from 1 July 2021, which concerned the possibility of per rollam decision-making by the General Meeting in specified cases and in response to a change in part of the stock exchange rules concerning the determination of the record date for eligibility for dividends.

GENERAL MEETING AT THE PROPOSAL OF THE PRINCIPAL SHAREHOLDER

On 8 December 2021, the Company's Board of Directors received a request from , PPF Telco B.V., the principal shareholder, to convene a general meeting to propose the transfer of all other participating securities to the principal shareholder.

In such a case, the Board of Directors has a legal obligation to convene the General Meeting and have the proposal of the major shareholder voted on. The Board of Directors, in view of the continuing restrictions and the still uncertain outlook of the epidemiological situation, decided that the General Meeting would be held per rollam, in accordance with Article 7(3) of the Company's Articles of Association. On 17 December 2021, the Company published a notice of the per rollam General Meeting to be held from 3 January 2022, 12.00 p.m. to 26 January 2022, 12.00 p.m. On 27 January 2022, the Board of Directors published the result of the resolution of the General Meeting: the transfer of ownership of all other participating securities of the Company to the principal shareholder was approved and the principal shareholder will provide all other shareholders with a consideration of CZK 270 per share.

Supervisory Board

The Supervisory Board is a supervisory body of the Company and it oversees the discharge of the executive powers by the Board of Directors. Two thirds of members are elected and recalled by the General Meeting; one third is elected and recalled by employees of the Company. The tenure of Supervisory Board members is five years. The Supervisory Board has three members and constitutes a quorum if a simple majority of its members is present at the meeting. The Supervisory Board meets as necessary, typically in a quarter, but at least four times in the course of a calendar year.

The Supervisory Board serves the following principal functions:

- review the regular, extraordinary and consolidated or, as the case may be, interim financial statements and proposals for distribution of profits or the other Company's resources or for coverage of losses;
- elect and recall members of the Board of Directors; approve executive service agreements for members of the Board of Directors and approve benefits granted to members of the Board of Directors;
- convene a General Meeting, if the interests of the

⁵ Section 121o et seq. of Act No. 256/2004 Sb., On capital market undertakings.

Company so require, and propose any necessary measures to the General Meeting;

- present its positions, recommendations and conclusion of its supervisory activities to the General Meeting;
- acting upon request of qualified shareholders, the Supervisory Board will review the discharge of executive powers by the Board of Directors and, on behalf of the Company, enforce a claim to compensation vis-à-vis a member of the Board of Directors or the Supervisory Board;
- decide on issues concerning benefits for the Supervisory Board members or the members of the Audit Committee insofar as it is in accordance with law;
- review Board of Directors report under Art. 82 of the Business Corporations Act, and inform the General Meeting of the review of this report and to submit its standpoint to the General Meeting;
- propose the statutory auditor to the General Meeting.

MEMBERS OF THE SUPERVISORY BOARD

Ladislav Bartoníček

Chairman of the Supervisory Board

Born in 1964, Ladislav Bartoníček graduated from the Faculty of Electrical Engineering at the Czech Technical University in Prague. He joined PPF investiční společnost a.s. in 1991 as executive director and received an MBA from Rochester Institute of Technology, New York, in 1993. From 1996 to September 2006, he served as chief executive officer of insurer Česká pojišťovna a.s. In 2007, he was appointed CEO and member of the Board of Directors of Generali PPF Holding N.V. (GPH), one of the largest insurance groups in Central and Eastern Europe, which was established as a joint venture between PPF Group and Assicurazioni Generali. He held his CEO position at GPH until March 2013. Ladislav Bartoníček has been a shareholder of PPF Group N.V. since 2007. From March 2014 to February 2018, he was CEO of SOTIO a.s., PPF Group's biotechnology company. He has been responsible for the strategic management of the Group's telecommunications, media, and biotechnology investments since 2018. Since the end of March 2021, Ladislav Bartoníček has been the CEO of PPF Group N.V. and a member of the PPF Executive Committee.

Member of the Supervisory Board since 10 May 2017; Chairman since 5 June 2018.

Pavel Milec

Vice-chairman of the Supervisory Board (member elected by employees)

Graduated from the Czech Technical University in Prague, Faculty of Transport, in Automation in Transport and Telecommunications. In 2007 he joined Telefónica O2 Czech Republic, a.s., where he went through several positions. From 2010 until 2013, he served as Director of Customer Experience at Telefónica O2 Slovakia, s.r.o. After returning to the Czech Republic, he joined Telefónica O2 Czech Republic, a.s. as Director for Call Centres. His responsibilities included, among other things, the consolidation and automation of call centre operations. Since January 2019 he has been Director of Human Resources at O2 Czech Republic a.s. and is also a member of the O2 Foundation's Board of Trustees.

Member of the Supervisory Board since 14 January 2019, Vice-chairman since 25 February 2019.

Kateřina Márová

Member of the Supervisory Board

Graduated from the Faculty of Law at the Masaryk University in Brno. In 2009–2012 she worked as a lawyer at the Office for the Protection of Economic Competition. She joined O2 Czech Republic a.s. in 2012. In 2013 and 2014 she was involved in the negotiation and drafting of network sharing agreements in the Czech Republic. In 2015, she worked on the project to de-merge the Company and took part in the drafting of the contract documentation. From 2015, she was the head of the regulation and competitive law team and in 2017–2020 she was appointed Director for Strategy and Innovation.

Member of the Supervisory Board since 4 June 2018.

Audit Committee

The Audit Committee is an autonomous body of the Company. Members of the Audit Committee, as well as any substitute members, are elected

and recalled by the Company's General Meeting. They may be elected from the members of the Supervisory Board or they may be persons external to the Company. The Audit Committee members are elected for a period of five years. The Audit Committee has three members and constitutes a quorum if a simple majority of its members is present at the meeting. The Audit Committee meets as necessary, typically once in a quarter, but at least four times in the course of a calendar year.

The Audit Committee serves the following principal functions:

- monitor the process of compilation of the annual financial statements and the consolidated financial statements;
- evaluate the effectiveness of the Company's internal controls, risk management, internal audit and its functional independence;
- monitor the process of the statutory audit of the annual financial statements and the consolidated financial statements, and inform the Supervisory Board of the conclusions of the statutory audit;
- review the independence of the statutory auditor and the audit firm, and the provision of non-audit services to the Company by the statutory auditor and the audit firm;
- approve the supply of non-audit services in cases required by law;
- recommend an auditor to the Company's Supervisory Board;
- receive from and discuss with the auditor all and any information, declarations and communications as per the applicable laws;
- make a report of the Audit Committee's work for the Public Audit Oversight Board.

MEMBERS OF THE AUDIT COMMITTEE

Radek Neužil

Chairman of the Audit Committee

He earned the title LL.M. at the Faculty of Law of Masaryk University in Brno and the title of Ing. (MSc) in Economics and Management of Mechanical Engineering at the Faculty of Mechanical Engineering, at the Brno Technical University. He is an expert in the area of freelance employment regulation. Since 1993, he has acted as Secretary of the Chamber of Tax Advisors of the Czech Republic,

which et alias he represents in Confédération Fiscale Européenne (CFE). In 2002, he became chartered accountant. From 2009 until 2015, he was member of the presidium of the Public Audit Oversight Board and Chairman of the Audit Cooperation and Coordination Committee. Since 2015, he has been member of the Disciplinary Committee of the same body; in 2016 he was elected chairman. From 2010 until 2015 he was member of the Ministry of Finance Steering Section for Accounting and Statutory Audit. In 2011–2013 he was a member of the Commission of the Ministry of Finance for Policy Planning and Development of Accounting and Audit, Section for Audit and Tax Consultancy. In 2011–2017, he was a member of the Executive Board of the Charles University, and from 2015 he has been a member of the Academic Council of Akademie Sting. In 2013–2017, he was a member of the audit committee at ČEZ, a.s. and in 2017 he became the chairman of the audit committee of Brněnské vodárny a kanalizace, a.s.

Member of the Audit Committee since 12 March 2014; Chairman since 20 June 2018.

Michal Brandejs

Vice-chairman of the Audit Committee

Graduated from the University of Economics in Prague in automated management information systems. He was statutory auditor of the Chamber of Auditors of the Czech Republic and is a certified internal auditor. In 1991–2013 he worked in the audit department of Deloitte and in 2001–2013 as partner. He led a number of audits and due diligence projects both in the Czech Republic and the Central and Eastern European region. In 2014–2016, he was Vice-chairman of the Supervisory Committee of the Chamber of Auditors of the Czech Republic. Since 2016, he has been officer of the controlling department of the Public Audit Oversight Board. Since 2016, he is member of the Audit Committee of OTE, a.s.

Member of the Audit Committee since 8 December 2015; Vice-chairman since 20 June 2018; re-elected as member and Vice-chairman as of 9 December 2020.

Michal Krejčík

Member of the Audit Committee

He graduated from the Faculty of Law of Charles University with the title JUDr. in 2003. As a judicial candidate, he was preparing for the position of a judge and in 2005 he passed the judicial examinations. In 2005, he joined Eurotel Praha, spol. s.r.o., where he worked in the Legal and Regulatory Affairs Division as a specialist in the area of conflict prevention and resolution. At O2 Czech Republic a.s. he has been Director of Litigation since 2010, and was appointed Compliance Officer in 2011. He is a member of expert working groups and bodies within the Czech Association for Electronic Communications (ČAEK) and the Association of Mobile Network Operators (APMS).

Member of the Audit Committee since 4 June 2018.

Effective from 4 June 2019, the General Meeting elected Ondřej Chaloupecký as the first substitute member of the Audit Committee.

Board of Directors

The Board of Directors is a statutory body that manages the business of the Company and acts on its behalf. The Board of Directors decides on all corporate affairs which, by law or the Articles of Association, are not reserved for the General Meeting or the Supervisory Board. As per the Articles of Association, the Board of Directors typically meets once every calendar month, but at least 12 times in the course of a calendar year. Members of the Board of Directors are elected and recalled by the Supervisory Board. The tenure of a member of the Board of Directors is five years. The Board of Directors has three members and constitutes a quorum if a simple majority of its members is present at the meeting.

The Board of Directors serves the following principal functions:

- manage the commercial side of the business and ensure due and proper keeping of accounts and Company documents;
- convene the General Meeting; present to the General Meeting matters reserved for the authority of the General Meeting and implement

the decisions of the General Meeting;

- submit to the Supervisory Board for review the Company's annual, extraordinary or, as the case may be, interim financial statements, always in its consolidated as well as unconsolidated form, and the proposal for distribution of profit or the other Company's resources or for coverage of losses according to the provisions of Section 82 of the Business Corporations Act;
- use retained earnings in line with the decision of the General Meeting; decide on the use of the funds of the Company;
- prepare the Board of Directors' report on the business of the Company and on its property in accordance with the Business Corporations Act, the annual and half-year report according to the Act on Accounting, Capital Market Undertakings Act, including a related undertakings report, and an interim and a summary explanatory report pursuant to the Capital Markets Undertakings Act;
- set the Company's business policy; grant and revoke proxy; conclude a contract with the auditor on the statutory audit or on the provision of other services; discuss the audit report with the auditor;
- organize employee elections to the Supervisory Board.

MEMBERS OF THE BOARD OF DIRECTORS

Jindřich Fremuth

Chairman of the Board of Directors

Graduated from the University of Economics in Prague and before joining O2 Czech Republic a.s. he worked for 10 years in marketing and sales. He served as CEO of Euro RSCG 4D (Havas Group) in digital marketing, direct marketing and sales promotion. As a consultant at McKinsey & Company, he focused on telecom and technology projects for major companies in Europe and the Middle East. He joined O2 Czech Republic a.s. in 2009 as Director for Online Channels; in 2011 he took over responsibility for the strategy of consumer distribution channels. From 2013, he held the position of Director, Consumer Division, and in 2017 he was appointed Director, Commercial Division.

Member of the Board of Directors since 1 January 2018; Chairman since 10 January 2018.

Tomáš Kouřil

Vice-chairman of the Board of Directors

Before joining the Company, he worked for the professional services consultancy Deloitte. He has held various executive positions in the Company since 2003. In 2006, he was responsible for the start-up of the operations of the O2 mobile operator in Slovakia. Later he took over responsibility for corporate finance. Tomáš Kouřil is a member of the board of the CFO Club.

Member of the Board of Directors since 1 January 2015, re-elected on 1 January 2020; Vice-Chairman since 8 January 2020.

Václav Zakouřil

Member of the Board of Directors

He graduated from the Faculty of Law of the Charles University and subsequently worked at Ericsson spol. s r.o. as a lawyer for a networking project of the third mobile operator, and then five years at the law firm Freshfields Bruckhaus Deringer. He joined O2 Czech Republic a.s. in 2009 and has been working in legal and regulatory positions. In 2014, he assumed overall responsibility for matters related to regulation and competition, and since 2016 he has been the Director of Legal and Regulatory Affairs.

Member of the Board of Directors since 16 March 2018.

INFORMATION ON THE APPLICATION OF DIVERSITY POLICY TO CORPORATE BODIES

The Company does not apply any specific diversity policy to the Board of Directors, the Supervisory Board and the Audit Committee; the main reason lies in how these corporate bodies are elected. Members of the Supervisory Board and the Audit Committee are elected by the General Meeting of the Company, and members of the Board of Directors are elected by the Supervisory Board. Also, grounded in practical experience, the Company fundamentally advocates and complies with the principles of non-discrimination and

equal treatment. Consequently, to the extent the Company can influence the personnel composition of the governing bodies of the Company (e.g. by proposing candidates), in doing so it respects these principles and complies with the relevant laws and regulations, while taking care that the governing bodies are composed of members whose professional knowledge and experience predispose them to good service. Furthermore, the Company is aware that any measures that a possible diversity policy would have introduced should also be in compliance with the Anti-Discrimination Act which prohibits unequal treatment. This may pose a problem in terms of positive discrimination. The very definition of affected groups (e.g. by age, gender or education) which could be the subject of positive discrimination for the nomination to the governing bodies or appointment into the executive management as a result of application of a diversity policy is a highly sensitive issue.

Executive management

Division directors reporting directly to the Chief Executive Officer are the executive management of the Company.

MEMBERS OF EXECUTIVE MANAGEMENT

Jindřich Fremuth

Chief Executive Officer

(résumé given in section Board of Directors)

Tomáš Kouřil

Director, Finance Division

(résumé given in section Board of Directors)

Václav Zakouřil

Director, Legal and Regulatory Affairs

(résumé given in section Board of Directors)

Pavel Mílec

Director, Human Resources Division

(résumé given in section Supervisory Board)

Richard Siebenstich

Director, Commercial Division

Graduated in Finance at the University of Economics in Bratislava. In 2003–2012, he worked in various management positions at Coca-Cola HBC. In 2012

he joined O2 CZ as a director for brand stores. From 2013 he managed all sales channels, and, from 2017, also marketing communication and online platforms. Since 2018 he has been the Director of Commercial Division.

In the last five years, he has not been a member of governing, executive or supervisory bodies outside the Group.

Jan Hruška

Director, Technology Division

Graduated from Charles University in Prague, Faculty of Informatics. From 1997 he worked as consultant at ANIMA Praha spol. s r.o. on IT project design, business and marketing processes and strategic planning for prominent clients, especially in banking and energy. In 2004 he joined Eurotel Praha spol. s r.o., which became Telefónica Czech Republic, a.s. and later O2 Czech Republic a.s., where he has served in a number of management roles, especially as an e-commerce manager, director of distribution strategy and planning, marketing director for fixed services to the current position of Director of the Technology Division. Jan has extensive experience in managing the entire value chain of a telecommunications, from planning and designing marketing propositions through sales performance management and motivation systems, product lifecycle management, profitability management to specific technology.

Information on internal control principles and procedures

The Company has a system of internal controls through policy documents which are approved by the Company's Board of Directors. Internal Audit, functionally accountable to the Audit Committee, represents an important instrument of Corporate Governance. It provides the Company's governing and executive bodies with independent and professional assessment of the Company's internal control system and the situation and trends in the given area compared to current best practice.

In 2021, Internal Audit and Risk Management carried out a total of 12 audits and controls as per the annual plan of Internal Audit or as mandated

by the governing bodies and the Chief Executive Officer of the Company. The Internal Audit unit also acts as internal auditor of O2 CZ subsidiaries. Audit findings are used by the management to formulate actions to redress the issues identified. Internal Audit monitors the implementation of such corrective actions and reports to the Company's governing bodies and executive management four times per year. The activities of Internal Audit and its main processes are laid down in the Internal Audit Charter of O2 CZ, which also stipulates the principle of independence of the Internal Audit function and the principle of objectiveness of internal auditors. The work of Internal Audit is monitored on a regular basis by the Audit Committee which discusses audit reports and other audit-related reporting presented by Internal Audit. The Director of Internal Audit & Risk Management has full access to the Audit Committee. He/she is present for the discussion of audit reports and other outputs of the unit at meetings of the governing bodies of the Company.

Accounting policies in O2 CZ and subsidiaries are regularly updated through new releases of internal rules and regulations. Complex transactions with high financial materiality are described in detail in guidance documents produced by the unit of Accounting Methodology, which are subsequently approved by the management of the Finance Division. The consolidation rules and other general guidelines for the preparation of the consolidated financial statements of the Group are set forth in the Consolidation Manual. The approval of accounting documents for purchases and supplies is done electronically in the approval workflow of the Company's SAP system. The scope of the signing authority of specific approvers, as well as the scope of powers and authority of the governing bodies, organisation units and personnel of the Company are set forth in the Rules of Organisation and the Signing Rules of the Company. Documents exempt from electronic approval are periodically reviewed.

The "four-eyes" principle and strict separation of the process of listing business partners and managing their data from the process of payments and settlement of booked payables are reflected in the Company's accounting policies. At the same time, the list of persons with the authority to create, edit and approve accounting documents

in SAP is limited and subject to regular review. Specific accounting documents can always be traced to specific users who created or cancelled them. The Finance Division monitors that accounts and financial statements are correct on an ongoing basis. Selected areas of accounting and the compliance of internal processes with the currently applicable legislation are subject to internal audit. If issues are identified, remedies are proposed immediately and implemented as soon as practicable. The effectiveness of the Company's internal control system, the process of preparation of the stand-alone and consolidated financial statements, as well as the process of external audit of the financial statements, is monitored by the Audit Committee which, as one of the Company's bodies, performs these activities without prejudice to the accountability of members of the Board of Directors and the Supervisory Board.

The unit Revenue Assurance (RA) has been established in the Finance Division; its mission is to identify, through independent controls, potential loss of revenues from loss of data in billing for services to customers. It is a so-called end-to-end process, where individual activities and controls cover the whole process – from billing and CDR generation to invoicing.

Information on corporate governance codes of the Company

The Company follows the recommendations of the 2018 Czech Code of Corporate Governance (the "Code"). The general principles contained in the Code are primarily based in the applicable legislation of the Czech Republic. They are also inspired by comparable national corporate governance codes (in particular the German and Austrian codes) and international corporate governance standards (in particular, the G20 / OECD Countries Corporate Governance Principles from 2015). The 2018 Code of Corporate Governance of the Czech Republic is available on the website of the Ministry of Finance of the Czech Republic www.mfcr.cz⁶.

As part of the regular review of the compliance of corporate governance practices with the Code, which took place in 2020, the Company states that it deviates from some of the Code's recommendations for the reasons described below.

- The Company should not allow shareholders to make decisions outside the general meeting (per rollam) (Article 2.3.2 of the Code). The Company's Articles of Association (approved by the General Meeting of 14 June 2021) allow this method of passing decisions under certain conditions. These are cases in which it can be assumed that the General Meeting would be prevented or substantially hindered, or per rollam procedure is beneficial for other reasons (epidemic situations, natural emergencies, etc.).
- The Company should allow shareholders to vote at the general meeting using technical means (Article 2.3.3 of the Code). O2 CZ regularly examines how to streamline the procedure of the General Meeting, including, for example, electronic voting. The Company did not conclude that a different method of voting than the one it has offered so far would be such a benefit that it would at least compensate for the technical, security and financial efforts associated with its implementation.
- The Supervisory Board should have at least three members and a sufficient number of its members should be independent (Article 6.2 of the Code). In accordance with the law, the members of the Supervisory Board are elected and removed by the General Meeting, which is also responsible for approving the Articles of Association (including its amendments) of the Company. Pursuant to Article 21 (1) of the Articles of Association, the Supervisory Board of the Company has three members. The Company does not decide on the appointment of the Supervisory Board and, due to the nature of the matter, cannot directly ensure compliance with all the recommendations of the Code. This does not prevent the members of the Supervisory Board from performing their duties properly and being able to make independent and objective judgment.

⁶ Currently to be found under this link: <https://www.mfcr.cz/cs/o-ministerstvu/odborne-studie-a-vyzkumy/2019/kodex-spravy-arizeni-spolecnosti-cr-201-34812>.

- The implementation of any instruments that may directly or indirectly prevent the takeover of the company or make it significantly more difficult should be subject to approval by the general meeting; shareholders should be clearly informed of the consequences of their decision (Article 2.6 of the Code). The Company has no tools in place beyond the generally binding legal regulations that govern it in this area.
- The Company should develop and apply a diversity policy with respect to the members of elected bodies, in particular with regard to the criteria of age, gender, education and professional knowledge or experience of their members (Article 3.4 of the Code). The Company's statement on this requirement is in the section Information on the application of diversity policy to corporate bodies in this section.
- Assessing the suitability of candidates for members of elected bodies (Article 3.5 of the Code). The Company does not consider it effective to establish a special platform for assessing the suitability of candidates for elected bodies. The assessment of candidates for membership in the Board of Directors is in the competence of the Supervisory Board. The members of the Supervisory Board and the Audit Committee are elected by the General Meeting, which assesses their suitability on the basis of documents received by shareholders within the statutory period of 30 days prior to the General Meeting. The Company does not interfere with these shareholder rights.
- The Company should negotiate its right to claim back the variable remuneration or any part thereof to which the remunerated person is already entitled and has already been granted (claw-back) in its contractual relations with the executive members of elected bodies and directors (Article 4.1.6 of the Code). The remuneration of the members of the Board of Management and the Supervisory Board, including the review of the payment of variable remuneration, was set in the relevant period in accordance with Section 121m of Act No 256/2004 Coll. within the framework of the remuneration policy approved by the General Meeting. In other cases, it is possible to review the payment of the variable component within the framework of executive service agreements or employment contracts, whichever is applicable.

The Company Secretary, which is a permanent position in the Company, supports the processes of good corporate governance, including meeting the requirements of the Code. The Company Secretary falls into the organisation of the Legal and Regulatory Affairs Division.

Summary report pursuant to Section 118 of the Capital Market Undertakings Act⁷

Equity

Structure of the Company's unconsolidated equity as at 31 December 2021:

	(in CZKm)
Share capital	3,009
Share premium	3,602
Treasury shares	0
Funds	8
Cash flow securitization	337
Retained earnings	8,823
TOTAL	15,779

Share capital

The share capital of O2 CZ as of 31 December 2021 in the amount of CZK 3,008,821,570 was fully paid and was formed by the following shares:

Type:	ordinary
Kind:	registered
Form:	booked
Number of shares:	300,882,147 shares
Nominal value:	CZK 10
Total volume of issue:	CZK 3,008,821,470
ISIN:	CZ0009093209

Type	ordinary
Kind:	registered
Form:	booked
Number of shares:	1
Nominal value:	CZK 100
Total volume of issue	CZK 100
ISIN	CZ0008467115

Each CZK 10 of the nominal value of shares represents one vote; the total number of votes attached to the Company's shares is 300,882,157. There was no change in the amount of the Company's share capital during 2021.

Regulated markets

As at 31 December 2021, registered shares at a nominal value of CZK 10 were traded on the Prague Stock Exchange (prime market) and the RM-SYSTÉM, česká burza cenných papírů a.s. The registered share in the nominal value of CZK 100 was not listed for trading on any regulated market in Europe.

Following the decision of the General Meeting of the Company on the request of the principal shareholder⁸, the Company's shares were delisted from trading on the Prime Market organised by the Prague Stock Exchange with effect from 25 February 2022; the last trading day was 24 February 2022; the Company's shares were last traded on the RM-SYSTÉM, Czech Stock Exchange on 28 February 2022.

⁷ Applicable to the Company in the relevant period.

⁸ Pursuant to Section 375 et seq. of Act No. 90/2012 Coll.

Significant direct and indirect shares in the voting rights

Key shareholders of O2 CZ as of 31 December 2021:⁹

	Name	Address	Share of the share capital	Share of the voting rights
1	PPF Telco B.V.	Strawinskylaan 933, Amsterdam, Kingdom of the Netherlands	90.52%	90.52%
2	Investment funds and individual shareholders	–	9.48%	9.48%

In the relevant period, all shareholders have the same voting rights.

The shareholder PPF Telco B.V. is a member of the PPF Group. As at 1 January 2021, the controlling person of the Company was Mr Petr Kellner. Following his death on 28 March 2021, the controlling person changed during the year. Ms. Renáta Kellnerová, the administrator of the entire estate of the late Petr Kellner, became the controlling person within the meaning of Section 74 of the Business Corporations Act by disposing (indirectly) of a majority of the voting rights. For more information on the controlling person, please refer to the Report on Relationships between the Controlling Person and the Controlled Person and between the Controlled Person and Persons Controlled by the Same Controlling Person for the Accounting Period of 2021, which is forms an appendix to this Annual Report.

Measures to prevent the abuse of control by the majority shareholders in the Company follow in particular from the provisions of generally binding legal regulations (the Civil Code and the Business Corporations Act) and the Company's Articles of Association. The Board of Directors of the Company considers these rules restricting the abuse of control by the controlling entity to be sufficient, therefore no additional measures have been implemented by the Company.

Rights and obligations related to shares

The rights and obligations related to the registered share which represents a share in O2 CZ are set out in Article 5 of the Articles of Association of the Company:

1. The rights and obligations of a shareholder shall be set forth by the legal regulations and by these Articles of Association. A shareholder of the Company may be either a Czech or a foreign national, a legal entity or a natural person.
2. A shareholder shall be entitled in accordance with the law to attend the General Meeting, to vote at it, to ask for and receive explanations at or, as the case may be, prior to, and, provided the statutory conditions are met, also after the General Meeting, of matters concerning the Company or, as the case may be, entities controlled by the Company, if such explanation is necessary for assessment of matters included in the agenda of the General Meeting or for the exercise of shareholder rights at the General Meeting, and to submit proposals and counter-proposals. Provision of explanations shall comply above all with the provisions of Article 357 et seq. of the Business Corporations Act. Submitting of proposals and counterproposals shall be governed in particular by the provisions of Article 361 et seq. of the Business Corporations Act and Article 11 (5).
3. A shareholder shall be entitled to a proportion of the Company profits (a dividend) or other own resources of the Company, approved for distribution to the shareholders by the General Meeting, without prejudice to other persons

⁹ Source: Central Securities Depository.

also receiving a proportion of the profits subject to the law. The shareholder's share of the profits or other own resources of the Company shall be determined as a ratio between the nominal value of the shareholder's shares to the nominal value of shares of all shareholders.

4. A shareholder shall not be authorized to request the return of the subject of the shareholder's contribution during the term of the Company's existence even in the event that it has been wound up.
5. In the event of liquidation of the Company, a shareholder shall have the right to a share in the liquidation balance. This proportion shall be determined and its disbursement is governed especially by the provisions of Article 549-551 of the Business Corporations Act.
6. A shareholder is obliged to observe the law, in particular to conduct himself with integrity, follow the Company's internal rules, including these Articles of Association, and exercise his rights vis-à-vis the Company in a responsible manner, in particular in such manner that no unjustified interference is incurred in rights and rightful interests of the Company or other shareholders, which are known or can and shall be known to the shareholders.
7. The Company shall act vis-à-vis all shareholders in an honest and just manner, and shall handle all shareholders under the same conditions in an equal manner, and shall enable all shareholders equal exercise of their rights. The Company shall act vis-à-vis all shareholders in a responsible manner, in particular in such manner that no unjustified interference is incurred in rights and rightful interests of the shareholders, which are known or can and shall be known to the Company.

Restriction on the transferability of shares

Only the statutory requirements need to be met for a transfer of shares. The Company's Articles of Association impose no further restrictions on the transferability of the shares and there are no other restrictions for reasons that would be on the part of the Company. The General Meeting decides on the restriction of the transferability of

registered shares by at least two thirds of the votes of all present shareholders; at the same time, the consent of at least three quarters of the votes of the present shareholders holding these shares is required.

Holders of shares with special rights

The Company has not issued any securities with special rights.

Restriction of voting rights

Voting rights are attached to all shares issued by the Company and may be restricted or excluded only in instances set out in the law. The Company is not aware of any such statutory restriction or exclusion of voting rights with the exception of the exclusion of voting rights with respect to treasury shares. Pursuant to Section 309(1) of the Business Corporations Act, the Company does not exercise any voting rights with respect to treasury shares¹⁰. The Company's Articles of Association do not stipulate any restriction of voting rights; there are no other restrictions for reasons that would be on the part of the Company.

Agreements between shareholders which could restrict the transferability of shares

The Company has no knowledge of any agreements between shareholders which could restrict the transferability of shares or voting rights.

Special rules for the election and recall of members of the statutory body or amendment to the articles of association

Members of the Board of Directors are elected and recalled by the Supervisory Board of the Company. The eligibility conditions for election to the Board of Directors are laid down in the law; the Articles of Association do not contain any restriction beyond the statutory scope; there are no other restrictions for reasons that would be on the part of the Company.

¹⁰ The Company did not hold any treasury shares during the relevant period.

Special powers of members of the statutory executive body

Members of the Board of the Company do not hold any special powers.

Significant agreements Relating to change in control over the Company as a result of a takeover bid

The Company has not entered into any agreements that become effective, will change or expire in the event of a change in the control of the issuer as a result of a takeover bid.

Agreements binding the Company in relation to a takeover bid

No contracts were concluded between the Company and the members of its Board of Directors or its employees, by which the Company would be bound in the event of the termination of their executive service or employment in connection with a takeover bid.

Employee shares

No programmes exist for members of the Board of Directors or employees of the Company based on which they could acquire shares, share options or other rights of the Company of participating nature at preferential terms.

05

Financial part

Financial part

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

**PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN UNION**

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GENERAL INFORMATION

O2 Czech Republic Group (the “Group”) consists of O2 Czech Republic a.s. (the “Company”) and its subsidiaries. The Group is a leading integrated telecommunications provider on the Czech market providing fully convergent services.

The Company has the form of a joint stock company and is incorporated and domiciled in the Czech Republic. The address of its registered office is Za Brumlovkou 266/2, Prague 4, 140 22, Czech Republic.

As of 31 December 2021, 90.52 % of the Company’s voting rights were held indirectly by Mrs. Renáta Kellnerová through PPF Telco B.V. – a company from the PPF group, which is controlled by Mrs. Renáta Kellnerová, who was appointed 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.

The average number of employees of the Group was 4,803 as at 31 December 2021 (2020: 4,993).

As at 31 December 2021 the Company’s shares were traded on the Prague Stock Exchange and on RM-SYSTÉM, česká burza cenných papírů a.s.

These consolidated financial statements were approved and authorised for issue by the Board of Directors on 1 March 2022.

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

For the year ended 31 December 2021

In CZK million	Notes	2021	2020
Revenues	3, 4	40,740	39,771
Other income from non-telecommunication services	3	250	161
Capitalisation of fixed assets	3	345	360
Expenses	3, 5	(26,751)	(26,555)
Impairment loss on financial assets	14, 18	(207)	(416)
Depreciation and amortisation and amortization of right-of-use asset	10, 11, 12	(4,595)	(4,802)
Amortisation of costs to obtain contracts	4	(639)	(584)
Impairment loss on non-current assets	10, 11	(599)	(15)
Operating profit		8,544	7,920
Finance income	6	37	26
Finance costs	6	(411)	(520)
Share of profit/(loss) of investments accounted for using the equity method	26	4	4
Profit before tax		8,174	7,430
Corporate income tax	7	(1,720)	(1,584)
Net profit		6,454	5,846
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss			
Changes in fair value of financial instruments hedging cash flows, net of tax	18	316	(1)
Translation differences		(196)	81
Items that will not be reclassified to profit or loss			
Changes in fair value of financial instruments measured at fair value through other comprehensive income, net of tax	18	7	-
Other comprehensive income, net of tax		127	80
Total comprehensive income, net of tax		6,581	5,926

Consolidated financial statements for the year ended 31 December 2021

Profit attributable to:			
Equity holders of the Company	8	6,467	5,860
Non-controlling interests		(13)	(14)
Total comprehensive income attributable to:			
Equity holders of the Company		6,594	5,940
Non-controlling interests		(13)	(14)
Earnings per share (CZK) attributable to equity holders – basic*	8	21	19

* There is no dilution of earnings as no convertible instruments have been issued by the Company.

CONSOLIDATED BALANCE SHEET

As at 31 December 2021

In CZK million	Notes	31 December 2021	31 December 2020
ASSETS			
Property, plant and equipment	10	6,106	6,176
Intangible assets	11	16,169	17,520
Right-of-use assets	12	3,103	3,368
Costs to obtain contracts	4	886	851
Investments in equity accounted investees	26	13	13
Contract assets	4	55	74
Other non-current assets	14	1,687	1,220
Deferred tax asset	19	58	64
Non-current assets		28,104	29,286
Inventories	13	1,062	921
Receivables	14	7,189	5,988
Income tax receivable	7	2	41
Contract assets	4	124	243
Cash and cash equivalents	15	3,551	3,922
Current assets		11,928	11,115
Total assets		40,032	40,401
EQUITY AND LIABILITIES			
Ordinary shares	24	3,009	3,009
Share premium	24	3,602	4,806
Retained earnings, funds and reserves		7,450	5,971
Equity attributable to owners of the parent		14,061	13,786
Non-controlling interests		(13)	-
Total equity		14,048	13,786
Financial debts	17	11,978	13,084
Lease liabilities	12	2,555	2,885
Deferred tax liability	19	310	373
Provisions for liabilities and charges	20	195	82
Contract liabilities	4	43	67
Other liabilities	16	988	1,159
Non-current liabilities		16,069	17,650
Financial debts	17	912	75
Lease liabilities	12	704	659
Trade and other payables	16	7,211	7,037
Income tax liability	7	394	447
Contract liabilities	4	542	564
Provisions for liabilities and charges	20	152	183
Current liabilities		9,915	8,965
Total liabilities		25,984	26,615
Total equity and liabilities		40,032	40,401

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

In CZK million	Notes	Equity attributable to owners of the parent								Total	Non-controlling interest	Total equity
		Share capital	Share premium	Treasury shares	Currency translation reserve	Funds	Revaluation reserve	Cash flow hedging	Retained earnings			
As at 1 January 2021		3,009	4,806	-	46	278	-	21	5,626	13,786	-	13,786
Profit for the period		-	-	-	-	-	-	-	6,467	6,467	(13)	6,454
Other comprehensive income		-	-	-	(196)	-	7	316	-	127	-	127
Total comprehensive income		-	-	-	(196)	-	7	316	6,467	6,594	(13)	6,581
Payment of dividends and other distributions	9	-	(1,204)	-	-	-	-	-	(5,115)	(6,319)	-	(6,319)
As at 31 December 2021		3,009	3,602	-	(150)	278	7	337	6,978	14,061	(13)	14,048

In CZK million	Notes	Equity attributable to owners of the parent								Total	Non-controlling interest	Total equity
		Share capital	Share premium	Treasury shares	Currency translation reserve	Funds	Revaluation reserve	Cash flow hedging	Retained earnings			
As at 1 January 2020		3,102	8,264	(2,348)	(35)	278	(2)	22	4,882	14,163	14	14,177
Profit for the period		-	-	-	-	-	-	-	5,860	5,860	(14)	5,846
Other comprehensive income		-	-	-	81	-	-	(1)	-	80	-	80
Total comprehensive income		-	-	-	81	-	-	(1)	5,860	5,940	(14)	5,926
Sale of financial assets measured through other comprehensive income	9	-	-	-	-	-	2	-	(2)	-	-	-
Payment of dividends and other distributions	9	-	(1,203)	-	-	-	-	-	(5,114)	(6,317)	-	(6,317)
Cancellation of treasury shares	24	(93)	(2,255)	2,348	-	-	-	-	-	-	-	-
As at 31 December 2020		3,009	4,806	-	46	278	-	21	5,626	13,786	-	13,786

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

In CZK million	Notes	2021	2020
Profit before tax		8,174	7,430
Non-cash adjustments for:			
Depreciation and amortisation	10, 11, 12	4,595	4,802
Amortisation of cost to obtain contract		639	584
Impairment loss	10, 11	599	15
Net interest cost	6	294	334
Unrealized foreign exchange losses/(gains) (net)		10	50
Change in provisions and allowances and loss/gain on sale and write-off of receivables		226	671
Loss/Profit on sale of fixed assets		181	-
Other adjustments		27	(66)
Working capital changes:			
(Increase)/decrease in receivables and other assets		(1,661)	1,033
(Increase)/decrease in inventories		(177)	(14)
Increase of cost to obtain contracts	4	(685)	(663)
(Increase)/decrease in contract asset		138	166
Increase/(decrease) in contract liabilities		(46)	61
Increase/(decrease) in trade and other payables		10	(905)
Cash flows from operating activities		12,324	13,498
Interest received		7	16
Income tax paid		(1,857)	(1,205)
Net cash flow from operating activities		10,474	12,309
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,312)	(1,106)
Purchase of intangible assets		(1,982)	(4,268)
Proceeds from sales of property, plant and equipment and intangible assets		4	5
Proceeds from sales of assets held-for-sale		-	8
Dividends received		13	13
Repayment of loans		-	5
Net cash used in investing activities		(3,277)	(5,343)
Cash flows from financing activities			
Proceeds from borrowings	17	1,500	-
Repayment of borrowings	17	(1,501)	(1,611)
Payment of lease liabilities	12	(771)	(787)
Interest paid		(272)	(352)
Dividends paid		(6,319)	(6,318)
Net payment on settlement of derivatives		(19)	-
Net cash used in financing activities		(7,382)	(9,068)
Net increase/(decrease) in cash and cash equivalents		(185)	(2,102)
Cash and cash equivalents at beginning of year	15	3,922	5,989
Effect of foreign exchange rate movements on cash and cash equivalents		(186)	35
Cash and cash equivalents at the year end	15	3,551	3,922

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Accounting policies

1.1 Basis of preparation

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

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS”).

The consolidated financial statements were prepared under the historical cost convention except for derivative financial instruments, non-derivative financial instruments at fair value through profit and loss (“FVTPL”) and equity securities at fair value through other comprehensive income (“FVOCI”) for which IFRS require a different measurement method, as disclosed in the accounting policies below.

The preparation of consolidated financial statements in conformity with IFRS required the Group to use certain critical accounting estimates. It also required estimates be used in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant for the consolidated financial statements are disclosed in Note 1.2 Use of estimates, assumptions and judgements.

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

The Group is an integrated telecommunications operator, offering a comprehensive range of both fixed and mobile voice, data and internet services in the Czech Republic and in Slovakia. Accordingly, the Group reports two geographic segments. The Group also reports its product sub-segments according to two main areas of services, i.e. fixed and mobile. For further details, refer to Note 3.

Adoption of new or revised IFRS standards and interpretations

For consolidated financial statements for the year ended 31 December 2021, the Group adopted new or revised standards and interpretations as mentioned below.

- Revision of IAS 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16 Interest Rate Benchmark Reform (Phase 2)

The revision has no material impact on the Group.

New standards not yet effective as at 31 December 2021 (standards relevant to the Group are included)

As of the date of these consolidated financial statements, the following standards have been issued that are relevant to the Group and were not mandatory to adopt at that date. The Group shall adopt these standards on their effective date.

Standards and changes		Effective from
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022
	Annual Improvements to IFRS Standards 2018–2020	1 January 2022
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred indefinitely

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

1.2 Use of estimates, assumptions and judgements

The preparation of consolidated financial statements in conformity with IFRS requires the Group's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, as well as the reported amounts of revenues and expenses for the reporting period.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. Given the fact that these assumptions and estimates represent a certain degree of uncertainty, the actual results and recognised assets and liabilities could differ from those estimates.

The estimates and assumptions that might have a significant effect on the carrying amounts of assets and liabilities are discussed below:

(i) Income taxes and deferred taxes

The Group creates an estimate for current income tax and, considering the temporary differences, also for deferred tax. There is no final tax assessment of a number of transactions and calculations at the time of making the estimates, and the determination of the deferred tax liability and receivable reflects the expectation of how the Group's assets will be used and its liabilities settled. Where the final items that increase or decrease the tax base are different from the amounts that were calculated, such differences will be recognised in the period in which such determination is made (refer to Note 7 and Note 19).

(ii) Property, plant and equipment and intangible assets

The accounting treatment of investments in property, plant and equipment and intangible assets entails the use of estimates to determine the useful life for depreciation and amortisation purposes.

Due to future technological developments and alternative uses for assets, it is necessary to make estimates for the purpose of determining the useful life of software and telecommunication technology and equipment (refer to Note 10 and Note 11). There is a significant element of judgment involved in making technological development assumptions, since the timing and scope of future technological advances are difficult to predict.

The useful life of an asset is reviewed and revised at each balance sheet date and it is adjusted as a change in accounting estimate if needed.

(iii) Right-of-use assets and lease liabilities

The valuation of right-of-use assets is based on significant judgment by the management to determine the contractual lease term.

The Group's lease term generally includes a non-cancellable lease term, the periods covered by the lease extension option if the Group is reasonably certain to exercise that option, and the periods covered by the termination option if the Group is reasonably certain to not exercise that option.

In the case of contracts for indefinite periods, the Group distinguishes leases of data centres, telecommunication technology (including leases of land for construction of BTS, base transceiver station) and other assets. In the case of leasing of data centres and telecommunication technology, the lease term is determined based on the assessment of the enforceable period. A lease is no longer enforceable beyond the point at which both the lessee and the lessor have the unilateral right to terminate the lease without permission from the other party, and with no more than an insignificant penalty. The Group considers the penalty in the broader economics of the contract and not only contractual termination payments, including the cost of leasehold improvements, restorations and relocation cost. The lease term for the telecommunication technology leases is usually 6 to 10 years.

The Group does not recognise the right-of-use assets from the lease contracts of other assets for an indefinite period if the lessee and the lessor both have the possibility of terminating the lease contract at short notice (generally 3 months) and without significant penalties, either contractual or financial.

(iv) Lease discount rate

The Group uses its incremental borrowing rate as the discount rate for the leasing. The lease contracts were divided into groups based on the length of the contract period and the currency in which the contract is denominated, and the relevant discount rate was allocated to each group of lease contracts. The IRS rates over a 15 year period for the major currencies, in which leases of the Group are denominated, were used to calculate the incremental borrowing rate. These rates were increased by a risk premium corresponding to the Group's usual loan margin and a premium reflecting the type of underlying asset and its collateral.

(v) Provisions and contingent liabilities

As set out in Note 21, the Group is a participant in several lawsuits and administrative proceedings including those related to its pricing policies. For all litigation and administrative proceedings, it is necessary to estimate the probability of occurrence 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 future, and it is possible to reliably estimate its amount. Contingent 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 fully within the control of the Group.

(vi) Receivables

Trade receivables are carried at face value less a bad debt allowance. The loss allowance is equal to the expected credit losses in the lifetime of the contract. Details regarding the determination of receivables impairment are stated in Note 1.11 Financial instruments and Note 18.

(vii) Commission as costs to obtain contracts with customers

For the capitalised costs to obtain contracts, the amortisation period was determined as the expected average period over which the customer will continue to use the Group's services. This amortisation period was further specified by customer segments of the Group, separately for business customers and consumers and separately for certain types of products.

Throughout the amortisation period, the actual values are subject to periodic review and reassessment against the developments of business activities, trends in the telecommunications sector, and the structure of business channels.

(viii) Stand-alone selling prices

In accordance with the requirements of the IFRS 15, the transaction price is allocated to separate performance obligations based on the proportional stand-alone selling prices of the products and

services provided. A stand-alone selling price is the price at which the Group sells a promised product or service to its customers in a stand-alone transaction. In most cases, the Group considers the prices shown in its price list as the stand-alone selling prices.

1.3 Subsidiaries

Subsidiaries, which are those companies in which the Group, directly or indirectly, holds an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations, have been consolidated. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date when the Group ceases to have control.

A business combination is accounted for using the acquisition method. The consideration transferred for the acquisition of the business combination is the fair value of the assets transferred, the liabilities incurred, and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Subsequent changes in the fair value are recognised in profit or loss. Acquisition related costs are expensed when incurred. For each business combination, the Group measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

In the case of a successive business combination, the Group, as the acquirer, will revalue the currently held equity interests of the acquiree through profit or loss to its fair value at the acquisition date.

A change in ownership interest in a subsidiary that does not result in the loss of control is accounted for through equity.

Goodwill is initially measured at cost being the excess of the purchase price of the business combination including the amount recognised for a non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired ("negative goodwill"), then the Group first reassesses the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination. Any excess remaining after the reassessment is recognised as gain in profit or loss on the date when the Group obtained control. For details, refer to Accounting policies (Note 1.8 Intangible assets and Note 11).

Intergroup transactions, balances and unrealised gains from transactions among the Group companies are eliminated. Unrealised losses are eliminated except for transactions providing evidence of an impairment of the asset transferred. The accounting policies for subsidiaries are changed, where necessary, to ensure consistency with the policies adopted by the Group and other companies within the Group.

1.4 Transactions under common control

Assets and liabilities acquired are recognised in the financial statements of the Group at their original carrying value. The difference between the acquisition price and the carrying value of the acquired company under common control is recorded directly in the equity.

1.5 Investment in joint ventures and associates

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control (i.e. when the strategic, financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control).

In relation to its interest in a joint arrangement, the Group recognises joint ventures, which are accounted for using the equity method.

An associate undertaking is an enterprise where the Group has significant influence, which is the power to participate in the financial and operating policy decisions, but not to exercise control.

Associates are accounted for using the equity method. At least annually as at the balance sheet date, equity accounted investments are tested for impairment. Impairment loss is recognised in profit or loss as part of the Share of profit/(loss) of investments accounted for using the equity method.

1.6 Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The functional currency of O2 Slovakia, s.r.o. and O2 Business Services, a. s. is the Euro (EUR). The functional currency of the Company and other companies within the Group is the Czech crown (CZK). The consolidated financial statements are presented in Czech crowns (CZK), which is the Group’s presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Balances of monetary items are translated at period-end exchange rates. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions in foreign currencies and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, with the exception of transactions related to qualifying

cash flow hedges recognised in other comprehensive income and investments in equity securities measured at fair value through other comprehensive income.

(iii) Group companies

Profit or loss of foreign entities are translated into the Group's reporting currency at the average exchange rates for the year and their balance sheets are translated at the exchange rates prevailing on the balance sheet day. Exchange differences arising from the translation are reported in other comprehensive income. When a foreign entity is sold, such exchange differences are recognised in profit or loss as part of the gain or loss on the sale.

1.7 Property, plant and equipment

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

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

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

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

Repairs and maintenance costs are expensed as incurred.

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

Items of property, plant and equipment, excluding freehold land, are depreciated from the time they are available for use, using the straight-line method. Depreciation ceases at the earlier of the date the asset is either de-recognised or at the date the asset is classified as held for sale. Depreciation does not cease, when the asset becomes temporarily idle or retired from active use, unless the asset is fully depreciated.

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

	Years
Buildings	up to 56
Communication technology and related equipment	up to 26
Other fixed assets	up to 11

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

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

An asset's carrying amount is immediately written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (refer to Note 1.10 Impairment of non-current non-financial assets).

1.8 Intangible assets

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

The Group's intangible assets acquired in business combinations are stated at their acquisition costs (which are equal to their fair value as at the date of acquisition) less the accumulated amortisation and accumulated impairment charges and are amortised on a straight-line basis over their estimated useful lives. Customer bases are amortised over the period of the remaining average terms of the binding contracts or the period over which they can be used to generate economic benefit for the entity.

Acquired licences are recorded at cost and amortised on a straight-line basis from the start of the commercial service over the remaining life of the licence (i.e. over 15 to 20 years) to best reflect the pattern by which the economic benefits of the intangible assets will be utilised by the Group.

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

Goodwill, arising from the purchase of subsidiaries and interests in associates and joint ventures, represents the excess of the fair value of the purchase consideration over the fair value of the net

assets acquired. Goodwill is not amortised but is tested for impairment at least annually or anytime there are indications of a decrease in its value.

On the 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 they do not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate.

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

Intangible assets that are no longer in use and no future economic benefits are expected or that are disposed of for any other reason are de-recognised from the balance sheet 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. the 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 an indefinite useful life or the date the asset is classified as held for sale.

1.9 Non-current assets held for sale

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

The Group measures an asset (or disposal group) classified as held for sale at the lower of its carrying amount and net realisable value.

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

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

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

1.10 Impairment of non-current non-financial assets

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

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

1.11 Financial instruments

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

(i) Financial assets – classification and valuation

Financial assets are classified into three categories – instruments subsequently measured at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). Financial assets are generally classified according to the Group's business model for managing financial assets and at the same time according to the contractual cash flow characteristics of the financial asset. Derivatives embedded in contracts where the host contract is a financial asset within the scope of the IFRS 9 standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification and measurement.

A financial asset is measured at amortised cost if it meets both of the following conditions:

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

A debt investment is measured at fair value through other comprehensive income if it meets both of the following conditions:

- 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 to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding.

The Group evaluates the objectives of business models in which financial assets are held at the portfolio level, as they are composed of financial assets with the same characteristics of the contractual terms and the expected cash flows. To determine the business model, the Group considers the different types of risks affecting the assets, their management, the measurement of profitability and performance of individually significant financial assets and entire portfolios, as well as the decision to hold or sell comparable assets in the past.

The Group determines whether the contractual cash flows are solely payments of principal and interest on the unpaid part of the principal based on the contractual terms of the financial instrument. The Group considers events that may affect the amount or timing of cash flows, the amount of prepayment received and the conditions for determining variable interest income, as well as the extension of the duration of financial instruments or the limitation of the Group's claim to expected cash flows.

On initial recognition of an equity investment that is not held for trading and would have been otherwise measured at fair value through profit or loss, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. On initial recognition, the Group may irrevocably designate a financial asset to fair value through the profit or loss category if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Except for trade receivables without a significant financing component, a financial asset is initially measured at fair value plus (for an item not in an FVTPL category) transaction costs that are directly attributable to its acquisition.

The subsequent measurement of the individual categories of financial assets relevant to the Group is as follows.

Financial assets measured at fair value through profit or loss

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

Financial assets measured at amortised cost

These financial assets are subsequently measured at amortised cost using the effective interest method and are included in current and non-current assets based on the period when they are settled. The amortised cost is reduced by impairment losses (see section (ii) below). Interest

income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Equity investments at fair value through other comprehensive income

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

(ii) Financial assets – impairment

The Group uses a model of impairment of financial assets that reflects expected credit losses and is applied to financial assets measured at amortised cost and contractual assets.

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

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group compares the default risk of a financial instrument at the balance sheet date with the risk at the date of initial recognition and considers reasonable and supportable information that is relevant and available without undue cost or effort and that indicates a significant increase in the credit risk. The assessment is mainly based on the Group's historical experience, available information and market analyses, including current 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 3rd 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 3rd 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. In the case of cash and cash equivalents, it represents the situation, in which 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.

Impairment losses on financial assets, including contract assets, are recognised in the income statement within a separate line Impairment loss on financial assets.

(iii) Financial liabilities

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

A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative financial instrument (except for derivative financial instruments designated as hedging instruments), or it is designated as such at initial recognition. These financial liabilities are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss, except for changes in fair value due to changes in the credit risk of the Group, which are recognised in other comprehensive income.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. In subsequent periods, other financial liabilities are measured at amortised cost using the effective interest method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in profit or loss as incurred.

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

Borrowing costs on debts used to finance the acquisition and construction of qualifying assets are capitalised during the time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

(iv) Cash and cash equivalents

Cash and cash equivalents in the balance sheet are initially measured at cost with subsequent measurement at amortised cost decreased by a loss allowance according to the IFRS 9 impairment model. For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand, demand deposits with banks, other short-term highly liquid investments with original maturities of three months or less, adjusted for bank overdrafts. Bank overdrafts are shown within short-term financial debts in the financial liabilities section of the balance sheet.

(v) De-recognition of financial assets

A financial asset is de-recognised when the rights to receive cash flow from the asset have expired or the Group has transferred its rights to receive cash flows from the asset and has either

transferred substantially all the risks and rewards of the asset or, has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial asset is written-off, if the Group is certain, that either a part or the total balance of the asset will not be recovered, that means when the Group has used all available options to recover the asset. The accounting write-off does not represent loss of legal right and it does not impede the possible repayment of the financial asset in the future. Expenses related to written-off amounts are included in profit or loss in the line Impairment loss on financial assets.

Financial liabilities are de-recognised when the Group's contractual obligations are discharged, cancelled or expired. The difference between the carrying amount and the consideration paid for the liability is recognised in profit or loss in the relevant period.

(vi) Financial instruments offsetting

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 Group or the counterparty.

1.12 Accounting for financial derivatives and hedging activities

The Group uses financial derivatives, in particular interest rate swaps and currency contracts, to hedge the risks associated with the movement of interest rates and exchange rates. Derivative financial instruments are initially measured at fair value.

The method of reporting the final gain or loss from revaluation to fair value depends on whether the derivative is classified as a hedging instrument and the nature of the hedged item.

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

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

The Group has used the transitional provisions in IFRS 9 and continues to apply IAS 39 for all hedging relations.

On the date a derivative contract is entered into, the Group designates certain derivatives as either:

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

- (ii) hedge of a forecasted transaction or of a firm commitment (cash flow hedge), or
- (iii) other derivatives.

(i) Fair value hedging derivatives

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

(ii) Cash flow hedging derivatives

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

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

(iii) Other derivatives

Certain derivative transactions, while providing effective economic hedges under the Group's risk management policies, either do not qualify for hedge accounting under the specific rules previously included in IAS 39 and currently in IFRS 9 or the Group has elected not to apply the specific hedge accounting provisions. Changes in the fair value of such derivative instruments that do not qualify for hedge accounting are recognised immediately in profit or loss in line with IFRS 9.

1.13 Leases

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

A) Leases where the Group is the lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component based on its relative stand-alone prices. However, for the vehicle leases the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

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. Subsequently, it is measured at cost less any accumulated depreciation and impairment losses and adjusted for certain reassessments of the lease liability. Rights of use assets are depreciated on a straight-line method over the shortest of the lease term or the useful life of the underlying asset.

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 Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is subsequently increased by the interest costs on the lease liability and decreased by any lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or the rate used to determine these payments, a change in the estimate of the amount expected to be payable under a residual value guarantee, or in the event of a change in the lease term due to the Group re-evaluating whether it is reasonably certain to exercise the option to extend, or not to exercise the option to terminate the lease.

The Group elected to apply the practical expedient not to recognise a right-of-use asset and a lease liability for contracts where the lease term is less than 12 months and for leases of low-value underlying assets (particularly the lease of small IT and office equipment).

B) Leases where the Group is the lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

As a lessor the Group will determine at a commencement date whether the lease should be classified as financial or as operating.

The classification is done based on the Group's assessment of whether the lease transferred substantially all the risk and rewards related to the ownership of the underlying asset. If these were transferred lease will be classified as finance lease, otherwise it will be operating lease. In its assessment the Group considers certain indicators such as the lease length in relation to the useful economic life of the asset.

Where the Group is an intermediate lessor the main lease and the sub-lease will be accounted for separately. The Group will determine whether the sub-leases are classified as operating or finance leases with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If the main lease is short term and the Group is applying an exception in line with IFRS 16 Leases, the sub-lease will be classified as operating lease.

The Group recognises lease payments received under operating leases as income on a straightline basis over the lease term as part of 'other revenue'.

1.14 Inventories

Inventories are stated at the lower of cost or net realisable value. Costs of inventories include the purchase price and related costs of acquisition (transport, customs duties and insurance). The cost of inventory is determined using the 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.

1.15 Current and deferred income taxes

Income tax expense represents both current and deferred taxation.

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

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

The main temporary differences arise from differences in the tax and accounting values of tangible and intangible fixed assets, impairment of receivables and inventories, contract assets and cost to obtain contracts recognised in accordance with IFRS 15, non-deductible tax provisions and unused tax losses.

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

The Group accounts for the tax consequences of transactions and other events in the same way that it accounts for the transactions and other events themselves. Thus, for transactions and other events recognised in profit or loss, any related tax effects are also recognised in profit or loss. For transactions and other events recognised directly in equity, any related tax effects are also recognised directly in equity. Similarly, the recognition of deferred tax assets and liabilities in a business combination affects the amount of goodwill.

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

1.16 Employee benefits

(i) Pension insurance and supplementary pension insurance

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

(ii) Redundancy and severance payments

Employees whose employment was terminated before term citing statutory reasons are entitled to redundancy and severance payments. The Group recognises provision for redundancy and severance payments when it is demonstrably committed to terminate the employment of current employees according to a detailed and formal plan without the possibility of opt-outs. Severance payments falling due more than 12 months after the balance sheet date are discounted to present

value. Presently, the Group has no redundancy and severance obligations falling due more than 12 months after the balance sheet date.

(iii) Bonus plans

The Group recognises employee bonuses related to the relevant accounting period in accordance with the expectations of achievement of the Group's targets, which take into consideration key performance indicators such as gross margin 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.

1.17 Provisions

Provisions are recognised when the Group will be obliged to pay a present liability in the future, and it is possible to reliably estimate its amount. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

1.18 Revenues and expenses

The Group generates revenues through the sale of mobile and fixed telecommunication services such as voice and data services, Internet services, SMS services, ICT services as well as the sale of mobile and fixed access devices. The Group recognises revenues when the promised goods or services are transferred to customers and at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Products and services can be sold separately or in bundles.

In the case of contracts containing bundles, the group accounts separately for specific products or services if these products or services can be separated into stand-alone parts and have added value for the customer in that stand-alone form. The price invoiced to customer is allocated to contract on a pro-rata basis using the price list for the stand-alone performance obligations.

The Group enters into contracts with a large number of customers under similar contractual terms. The Group applies a portfolio approach to contracts that can be grouped to portfolios with comparable terms, similarly to other telecommunication peers, as it reasonably expects that the effect of applying a portfolio approach does not differ materially from considering each contract separately. Principally, the group adopts the portfolio approach to the majority of contracts with customers. However, contracts with customers from the corporate segment which have unique terms that do not fit into any portfolio are assessed and accounted for individually.

In determining whether the revenues are recognised as gross (i.e. with costs recognised separately) or net, the Group assesses whether it is in an agency relationship. If it is, the Group recognises revenues in net amounts, i.e. only the amount corresponding to the margin or commission is recognised. The Group may enter into a relationship with an agency character in the provision of premium SMS, premium audiotex or other services.

Commissions paid to agents for activation, marketing, and other activities are included in the cost of sales for the period, unless it is the cost that meets the definition of incremental costs to obtain contracts. These expenditures are recognised in the balance sheet within the line Costs to obtain contracts and are linearly amortised. The amortisation of those costs is presented within the line Amortisation of costs to obtain contracts in the income statement, the amortisation period is determined based on the estimated average period, during which the customer uses Group's services.

(i) Mobile origination – Internet and data, voice services, MMS and SMS

Revenues from mobile services include revenues from both contract and prepaid cards for the provision of telecommunication services (internet and data, voice, MMS and SMS services).

Contract service comprises a flat rate and a variable part invoiced according to the actual usage. Revenues are recognised, invoiced and paid by customers on a monthly basis according to the actual utilisation of services with the exception of contracts containing multiple services and products for which the total transaction price is allocated based on the standalone selling prices of the individual performance obligations. A typical contract is for 24 months. However, in accordance with the Act on Electronic Communications, since 1 April 2020 residential customers have the option to terminate the service without penalty at any time after 3 months since conclusion of the contract.

Revenues from prepaid services are recognised when voice or data traffic is made, other services are provided or the card expires and the associated prepaid credit expires. Prepaid services are paid by customers purchasing a coupon or recharging an already purchased SIM card.

(ii) Fixed services – voice, internet, data and television

Revenues from fixed telecommunication services include revenues from Internet connectivity, data and TV and fixed voice services. The services are offered at a flat monthly rate with the option to purchase additional services, or with variable invoicing according to the actual usage. Revenues are recognised, invoiced and paid by customers monthly. Currently, a typical contract is concluded for indefinite period with customers having the option to terminate the service at any time without penalty.

(iii) Sale of equipment

Revenues from the sale of equipment and other goods are recognised at the time of the sale, i.e. at the time the goods were handed over to the distributor or the final customer, which usually occurs when the contract is signed. Where equipment is subsidised and sold together with the services as a bundle, revenues from the subsidised equipment is recognised at the point of sale at a value determined using the stand-alone selling prices of services and products within the bundle.

Mobile devices and fixed access equipment are paid for by customers at the moment of sale or it is sold on an instalment basis with a maturity up to 60 months.

The Group identified a significant financing component for selected contracts for the sale of fixed access equipment sold on an instalment basis over 48 months considering the time between the customers' payments and the transfer of the equipment. The invoiced price for these contracts is discounted using the interest rate. This rate is commensurate with the rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception.

(iv) Mobile termination

Interconnection revenues arise from calls and SMSs initiated in the networks of other domestic or foreign operators but terminated or transiting through the Group's network. These revenues are recognised in profit or loss at the time when the call or SMS is received in the Group's network. Interconnection revenues are invoiced and paid on a monthly basis. The Group pays a part of the proceeds from its customers to domestic and foreign operators whose network is used for calls initiated in the Group's network and which use the networks of other domestic or foreign operators. Receivables and payables in respect of other domestic and foreign operators are regularly offset and settled.

(v) Financial services

Financial services revenues include revenues from insurance services and revenues from providing Electronic sales reporting ("EET") solution.

Revenues from insurance include the revenues from insurance of mobile devices and travel insurance sold to the Group's customers. The service is invoiced and paid by customers on a monthly basis, which is in line with the recognition of relevant revenues. Customers have the option to terminate this service at any time without penalty.

(vi) Other mobile revenues

Other mobile revenues include, in particular, revenues from virtual operators (MVNOs) for the use of the Group's mobile network services, roaming revenues and insurance revenues.

Revenues from virtual operators for usage of the Group's mobile network and related services are recognised on a monthly basis; the price is usually set at a flat monthly rate with a variable component charged according to the actual usage of individual MVNOs. The services are invoiced to and paid by MVNOs on a monthly basis.

Roaming revenues are revenues from foreign partner operators for their customers' usage of the Group's mobile network. The services are invoiced and paid on a monthly basis according to the actual usage. As a rule, agreed volume discounts are calculated annually, for which estimates are created by the Group on a monthly basis. Revenues are recognised on a monthly basis.

(vii) Information and communication technology and long-term service contracts (ICT)

Information and communication technology (ICT) services include complex customer solutions and managed services, mainly system integration, outsourcing services, project solutions and software development. Revenue recognition of such services reflects the substance of the service provided. Generally, it relates to services which are invoiced and paid by customers on a monthly basis, for a period of at least of 24 months.

Revenues from fixed price long-term service contracts are recognised using the percentage of completion method, measured by reference to the percentage of the actual costs incurred to date to the estimated total costs of the contract. A loss expected from the long-term service contract is immediately recognised as an expense, when it is probable that total contract costs will exceed total contract revenue.

(viii) Other fix revenues

Other fix revenues represent various supporting services provided along with telecommunication services. Generally, these services are recognised, invoiced and paid by customers on a monthly basis and customers have the option of cancelling these supporting services without penalty at any time.

(ix) Dividend income

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

(x) Interest income

Income is recognised as interest accrues (using the effective interest method).

1.19 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability and it is deducted from equity in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

1.20 Changes in accounting policies

The Group early adopted amendment to IFRS 16 COVID-19 Related Rent Concessions as at 1 January 2020. Relevant accounting policies are described in Note 1.13 Leases.

No other significant changes in accounting policies were applied in 2021 and 2020.

1.21 Treasury shares

Treasury shares are presented in the balance sheet as a deduction from equity. The acquisition of treasury shares is presented in the statement of changes in equity as a reduction in equity. No gain or loss is recognised in the income statement on the sale, issuance, or cancellation of treasury

shares. Any consideration received from the sale of treasury shares is presented in the financial statements as an addition to equity.

2 COVID-19 pandemic

At the beginning of 2020, a new type of coronavirus that causes an illness – referred to as COVID-19 – spread throughout the world, causing the governments of the Czech Republic and Slovak Republic to adopt a number of restrictive measures which continued during 2021.

The Group, as a provider of critical infrastructure, provided its services continuously throughout the period of ongoing restrictions.

Because of the restrictions on the movement of the population and foreign travel, there was a significant slowdown in the activity of sales channels and a shortfall in roaming revenues which continued in current year. The deteriorating macroeconomic forecasts have been reflected in the higher impairment loss of financial assets in accordance with the methodology for calculating expected credit losses in accordance with IFRS 9 (see Note 14 and Note 18).

The Group assessed indicators of possible impairment of assets in accordance with the requirements of IAS 36. The Group has not identified any significant impairment of assets including goodwill and does not record any significant subsidies or other contributions in connection with the COVID-19 pandemic. The Group regularly monitors the impact of the COVID-19 pandemic on the Group's financial risks and does not consider additional disclosures to be necessary in accordance with the requirements of IFRS 7 Financial Instruments: Disclosures.

Deteriorating economic conditions as a result of COVID-19 have also been considered with respect to deferred tax. Any impairment of assets has been reflected in calculation of temporary differences for deferred tax purposes. Future taxable profits against which temporary differences can be utilised have also been estimated with respect to the pandemic and its effects.

In 2020, the Group adopted COVID-19-Related Rent Concessions – Amendment to IFRS 16. The amendment introduces an optional practical expedient for leases in which the Group is a lessee – i.e. for leases to which the Group applies the practical expedient, the Group is not required to assess whether eligible rent concessions that are a direct consequence of the COVID-19 coronavirus pandemic are lease modifications. Received rent concessions in consequence of COVID-19 are reported in Note 12 within variable lease payments.

The Group also continued with a number of operational measures (home-offices for employees and increased protective and hygienic measures at the workplace in particular), which were necessary to ensure the provision of all services even during the longer duration of the measures announced.

The Group considers its current financial resources to be sufficient to ensure the unrestricted continuance of its operations. The going concern assumption remains an appropriate basis for the preparation of the company's financial statements.

3 Segment information

The Group recognises reportable segments that are defined by geographical terms. For the Czech Republic segment the Group further disclosed allocation of gross margin to product sub-segments.

- The Czech Republic segment:
 - Mobile product sub-segment – mobile telecommunication and data services provided by the Company and O2 Family, s.r.o. and insurance services provided by O2 Financial Services s.r.o.
 - Fixed product sub-segment – telecommunication and data services using fixed network and Wi-Fi infrastructure, ICT services provided by the Company and other subsidiaries in the Group excluding O2 Family, s.r.o.
- Slovak Republic segment – mobile telecommunication and data services provided by O2 Slovakia, s.r.o and O2 Business Services, a. s.

Gross margin consists of revenues from contracts with customers (see Note 4) and cost of sales that includes cost of interconnection, transit, sub-deliveries, content cost, telecom services, commissions and cost of sold inventories.

The operating results of all the segments are regularly controlled and reviewed by the chief operating decision maker who holds the power to make decisions about resource allocation to the segments and to assess their performance.

Inter-segment pricing rates in 2021 and 2020 were determined on the same basis as rates applicable for other mobile operators.

Consolidated financial statements for the year ended 31 December 2021

For the year ended 31 December 2021	Czech Republic		Slovak Republic	Elimination CR vs SR	Group
	Fix	Mobile			
In CZK million					
Revenues	12,475	20,739			
Cost of Sales (CoS)	(7,436)	(9,242)			
Gross margin	5,039	11,497			
Revenues	33,214		7,818	(292)	40,740
Other income from non-telecommunication services	197		92	(39)	250
Capitalisation of fixed assets	245		91	9	345
Total consolidated cost	(22,673)		(4,557)	272	(26,958)
Depreciation and amortisation	(2,894)		(990)	49	(3,835)
Amortisation of costs to obtain contracts	(444)		(195)	-	(639)
Amortization of right-of-use asset	(504)		(256)	-	(760)
Impairment loss on non-current assets	(579)		(20)	-	(599)
Operating profit	6,562		1,983	(1)	8,544
Interest expense	(270)		(95)	63	(302)
Interest income	71		-	(63)	8
Other finance income/(costs)	1,393		(85)	(1,388)	(80)
Net finance costs	1,194		(180)	(1,388)	(374)
Share of profit/(loss) of investments accounted for using the equity method	4		-	-	4
Profit before tax	7,760		1,803	(1,389)	8,174
Corporate income tax	(1,290)		(430)	-	(1,720)
Profit for the period	6,470		1,373	(1,389)	6,454
Non-current assets*	18,123		8,172	(4)	26,291
Other assets	20,026		2,903	(9,188)	13,741
Total assets	38,149		11,075	(9,192)	40,032
Total liabilities	(22,051)		(7,012)	3,079	(25,984)
Fixed assets additions**	2,124		1,527	(64)	3,587

* Non-current assets do not include investments in subsidiaries and equity accounted investees, contract assets, other non-current assets and deferred tax asset for the purposes of segment analysis.

** Fixed assets additions do not include tangible and intangible fixed assets (including goodwill) identified during business combinations and additions to rights of use assets, refer in Note 12.

Consolidated financial statements for the year ended 31 December 2021

For the year ended 31 December 2020	Czech Republic		Slovak Republic	Elimination CR vs SR	Group
	Fix	Mobile			
In CZK million					
Revenues	12,118	20,344			
Cost of Sales (CoS)	(7,486)	(9,319)			
Gross margin	4,632	11,025			
Revenues	32,462		7,681	(372)	39,771
Other income from non-telecommunication services	135		25	1	161
Capitalisation of fixed assets	262		84	14	360
Total consolidated cost	(22,839)		(4,441)	309	(26,971)
Depreciation and amortisation	(3,294)		(782)	50	(4,026)
Amortisation of costs to obtain contracts	(409)		(175)	-	(584)
Amortization of right-of-use asset	(510)		(266)	-	(776)
Impairment loss on non-current assets	(15)		-	-	(15)
Operating profit	5,792		2,126	2	7,920
Interest expense	(316)		(108)	73	(351)
Interest income	89		-	(73)	16
Other finance income/(costs)	1,262		(67)	(1,354)	(159)
Net finance costs	1,035		(175)	(1,354)	(494)
Share of profit/(loss) of investments accounted for using the equity method	4		-	-	4
Profit before tax	6,831		1,951	(1,352)	7,430
Corporate income tax	(1,085)		(499)	-	(1,584)
Profit for the period	5,746		1,452	(1,352)	5,846
Non-current assets*	19,649		8,270	(4)	27,915
Other assets	18,770		2,645	(8,929)	12,486
Total assets	38,419		10,915	(8,933)	40,401
Total liabilities	(22,795)		(6,640)	2,820	(26,615)
Fixed assets additions**	4,166		1,853	(48)	5,971

* Non-current assets do not include investments in subsidiaries and equity accounted investees, contract assets, other non-current assets and deferred tax asset for the purposes of segment analysis.

** Fixed assets additions do not include tangible and intangible fixed assets (including goodwill) identified during business combinations and additions to rights of use assets, refer in Note 12.

4 Revenues from contracts with customers

(i) Classification of revenues from customer contracts

In the table below, revenues from customer contracts are broken down according to the main operating segments and products provided. The degree of classification of revenues from contracts with customers reflects the specific sector of the Group, the way in which the Group reports and monitors revenues for internal purposes as well as for disclosing information to investors. The table also includes summary rows that allow the reconciliation of revenues with the data reported in the segment analysis under IFRS 8 (refer to Note 3).

For the year ended
31 December 2021

In CZK million	Czech Republic	Slovak Republic	Intragroup eliminations	Group
Mobile origination:				
- Voice services and SMS & MMS	6,696	2,652	-	9,348
- Internet and data	8,683	2,196	-	10,879
Mobile terminations	2,027	796	-	2,823
Revenues from sale of equipment	1,878	1,223	(5)	3,096
Financial services	206	38	(5)	239
Other mobile revenues	1,249	471	(247)	1,473
Total mobile revenues	20,739	7,376	(257)	27,858
Voice services	1,544	17	-	1,561
Data services	936	66	(7)	995
Internet and television	6,439	202	(11)	6,630
ICT	2,290	22	(17)	2,295
Revenues from sale of equipment	963	132	-	1,095
Other fixed revenues	303	3	-	306
Total fixed revenues	12,475	442	(35)	12,882
Total revenues	33,214	7,818	(292)	40,740

For the year ended
31 December 2020

In CZK millions	Czech Republic	Slovak Republic	Intragroup eliminations	Group
Mobile services:				
- Voice services and SMS & MMS	7,032	2,858	-	9,890
- Internet and data	7,788	2,017	-	9,805
Mobile terminations	2,212	850	-	3,062
Revenues from sale of equipment	1,765	1,104	(24)	2,845
Financial services	259	45	(14)	290
Other mobile revenues	1,288	441	(289)	1,440
Total mobile revenues	20,344	7,315	(327)	27,332
Voice services	1,664	20	-	1,684
Data services	952	68	(6)	1,014
Internet and television	6,105	129	(11)	6,223
ICT	2,221	21	(16)	2,226
Revenues from sale of equipment	883	125	(12)	996
Other fixed revenues	293	3	-	296
Total fixed revenues	12,118	366	(45)	12,439
Total revenues	32,462	7,681	(372)	39,771

(ii) Contract assets and contract liabilities

Contract assets are the Group's rights to a consideration in exchange for goods or services that the Group has already transferred to customers and which it has not yet invoiced. These include, in particular, those contracts with customers where the supply of telecommunication services is supplemented by the sale of subsidised telecommunication equipment. A contract asset arises from the reallocation of revenues under a customer contract from telecommunication services provided and recognised during the life of the contract to the revenues from the sale of such subsidised equipment, which is recognised at the time of sale.

The balance of contract assets is decreased by an allowance of CZK 4 million (2020: CZK 6 million), determined in accordance with the methodology described in Note 1.11 Financial instruments.

A contract liability is the Group's obligation to deliver goods or to provide services for which the Group has received the consideration from the customer. Contract liabilities include mostly prepaid telecommunication services by customers on prepaid cards. These revenues are recognised when the voice or data traffic takes place, or when other services are provided, or when the card associated with the prepaid credit expires. Contract liabilities also arise when activation fees are invoiced on conclusion of a new contract, which is not a stand-alone performance obligation, and are thus accrued over the term of the contract with the customer.

The amount of CZK 515 million recognised as contract liabilities as at 1 January 2021 was recognised as revenues in 2021. The amount of CZK 471 million recognised as contract liabilities as at 1 January 2020 was recognised as revenues in 2020.

Receivables arising from contracts with customers represent the trade receivables described in Note 14.

The table below analyses contract assets and liabilities:

Contract assets		
In CZK million	31 December 2021	31 December 2020
- short-term (less than 1 year)	124	243
- long-term (over 1 year)	55	74
Total contract assets	179	317
Contract liabilities		
In CZK million	31 December 2021	31 December 2020
- short-term (less than 1 year)	542	564
- long-term (over 1 year)	43	67
Total contract liabilities	585	631

In 2021 and 2020, the Group did not recognise any revenues from contract liabilities which were met (or partially met) in prior periods.

The Group expects to recognise revenues of CZK 9,046 million from current contracts with customers related to performance obligations that are yet to be fulfilled (or are only partially fulfilled) as at 31 December 2021, assuming that these obligations will be fulfilled in following years (2020: CZK 8,698 million). These contractual revenues mainly include revenues from the sale of telecommunication services, which were determined by the Group on the basis of the average monthly spend of contractual customers with commitment, the number of contractual customers with commitment as at 31 December 2021 and the average remaining duration of these customers' contracts, while all the parameters are broken down into the main operating segments. The expected revenues also contain revenues from other contracts with complex delivery of goods and services for which, in line with IFRS 15, the Group allocates the total transaction price to separate performance obligations on a pro-rata basis according to the individual stand-alone selling prices. These revenues are recognised based on the fulfilment of separate performance obligations and not according to the invoicing of customers. The Group applied the practical expedients allowed for in the standard and the balance of contractual revenues does not include revenues from contracts which originally had an expected duration of one year or less, nor the revenues from contracts which are recognised in an amount that corresponds directly to the services provided (in line with principles described in Note 1.18 Revenues and expenses).

(iii) Incremental costs to obtain contracts

Capitalised incremental costs to obtain contracts include commissions for external and internal business channels that are directly attributable to obtaining customer contracts and are incremental. Amortisation of these costs is recognised in a separate line (Amortisation of cost to obtain contracts) in the profit or loss; the amortisation period is determined by the expected average duration of contracts separately for business customers and for consumers and separately for certain product types (ranging from 16 to 48 months).

Capitalised costs to obtain contracts

In CZK million

As 1 January 2020	766
Capitalised costs to obtain contracts	663
Amortisation of capitalised costs to obtain contracts	(584)
Foreign exchange differences	6
As 31 December 2020	851
Capitalised costs to obtain contracts	685
Amortisation of capitalised costs to obtain contracts	(639)
Foreign exchange differences	(11)
As 31 December 2021	886

The Group regularly evaluates capitalised incremental costs to obtain contracts and assesses whether there is any indication of impairment. The assessment is based on the monitoring of two parameters – statistical evolution of clawbacks, i.e. deductions for the additional change of contracted services or contractual penalties for non-observance of the performance indicators and, simultaneously, the monitoring of calculation corrections based on the revision of the period in which the customers use individual segments of the Group. Based on an assessment of these parameters, there was no impairment of the capitalised costs to obtain contracts as at 31 December 2021 and 2020.

5 Expenses

Expenses	Year ended	Year ended
In CZK million	31 December 2021	31 December 2020
Cost of sales	19,260	19,269
Staff costs	4,483	4,425
External services	2,467	2,353
Other expenses	541	508
Total expenses	26,751	26,555

The cost of sales mainly includes the following types of costs: interconnection and roaming expenses, cost of goods sold, sub-deliveries, commissions and other cost of sales.

The Group does not participate in any pension plans.

6 Finance income and costs

In CZK million	Year ended 31 December 2021	Year ended 31 December 2020
Finance income		
Interest income	8	16
Other finance income	17	10
Foreign exchange gain (net)	12	-
Total finance income	37	26
Finance costs		
Interest expense	302	350
Other finance costs	49	110
Foreign exchange loss (net)	-	11
Loss on fair value adjustments and settlement of financial derivatives (net)	60	49
Total finance costs	411	520

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

Interest expense also includes interest on lease contracts, refer to Note 12.

7 Income tax

In CZK million	Year ended 31 December 2021	Year ended 31 December 2020
Total income tax expense consists of:		
Current income tax charge	1,852	1,620
Deferred income tax (Note 19)	(132)	(36)
Income tax	1,720	1,584

The tax on the Group's profit before tax differs in the following way from the theoretical amount that would arise using the basic tax rate of the country of residence of the Group companies:

In CZK million	Year ended 31 December 2021	Year ended 31 December 2020
Profit before tax	8,174	7,430
Income tax charge calculated at the weighted average statutory rate	1,592	1,456
Tax effects of:		
- income not taxable	(2)	(2)
- expenses not deductible for tax purposes	64	62
- loss for the period not included in the deferred tax calculation	1	2
Special tax for regulated business for O2 Slovakia, s.r.o.	80	87
Tax related to prior periods	(13)	(9)
Recognition of tax losses, not previously included in the deferred tax calculation	(2)	(12)
Income tax	1,720	1,584
Effective tax rate	21%	21%

As at 31 December 2021, the total amount of current income tax liability was CZK 1,797 million (2020: CZK 1,536 million), overpayments and advances paid for corporate income tax were CZK 1,403 million (2020: CZK 1,130 million) and the net deferred tax liability was CZK 252 million (2020: net deferred tax liability CZK 309 million).

8 Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the period. The weighted average number of shares takes into account the weighted average effect of changes in treasury share transactions during the year (refer to Note 24).

	31 December 2021	31 December 2020
Weighted number of ordinary shares outstanding (in thousands)	300,882	300,882
Net profit attributable to shareholders (in CZK million)	6,467	5,860
Basic earnings per share (in CZK)	21	19

Since the Company has not issued any convertible instruments, there is no dilution of profit.

9 Dividends and other distributions

In CZK million	31 December 2021	31 December 2020
Dividends declared	5,115	5,274
Other distributions	<u>1,204</u>	<u>1,241</u>
Total declared distributions	6,319	6,515

Dividends and other distributions include a withholding tax on dividends paid by the Company to its shareholders. No interim dividend was paid in 2021. The approval of the 2020 profit and its distribution as a dividend for this financial year was agreed at the Annual General Meeting which took place per rollam (that is by letter) from 28 May to 14 June 2021. Pursuant to the decision of the Annual General Meeting, the dividend in the amount of CZK 17 per share with a nominal value of CZK 10 and in the amount of CZK 170 per share with a nominal value of CZK 100 from the 2020 profit were payable on 21 July 2021.

In 2020 an advance for dividends in the amount of 100% of the proposed dividends was declared, i.e. CZK 17 per share with a nominal value of CZK 10 and in the amount of CZK 170 per share with a nominal value of CZK 100. The advance for dividends was payable on 6 May 2020. The approval of the 2019 profit and the confirmation of the amount of the final dividend for the purposes of settlement with the paid advances was agreed at the Annual General Meeting which took place per rollam (that is by letter) from 11 May to 17 June 2020. On 19 June 2020, pursuant to the decision of the Annual General Meeting, dividends in the amount of CZK 17 per share with a nominal value of CZK 10 and in the amount of CZK 170 per share with a nominal value of CZK 100 from the 2020 profit were offset against the advance for dividends by deducting the advance per share (CZK 17 or CZK 170) from the dividends per share (CZK 17 or CZK 170). The result of the settlement was a zero balance and, in addition to the advance, CZK 0 per share was paid out. Dividends to treasury shares in the amount of CZK 160 million remained in the retained earnings.

In addition to the payment of dividends, the Annual General Meeting of the Company approved distribution of part of the share premium, in total an amount of CZK 1,204 million (2020: CZK 1,241 million). For each share with a nominal value of CZK 10, the amount of CZK 4 before tax was allocated (for the share with a nominal value of CZK 100, CZK 40 before tax was allocated). The part of the share premium was payable on 21 July 2021. In 2020 the Company does not have the right to receive the amount related to the payment of the share premium for the treasury shares. This part of the share premium in the amount of CZK 38 million remained in the share premium.

Distributions per share for the years ended 31 December was as follows:

In CZK	Year ended 31 December 2021	Year ended 31 December 2020
Dividend per share (nominal value of CZK 10)	17	17
Other distributions	<u>4</u>	<u>4</u>
Total distributions per share	21	21

10 Property, plant and equipment

In CZK million	Land, buildings and constructions	Telecommunication technology and related equipment	Other fixed assets	Total
As at 31 December 2021				
Opening net book amount	1,515	3,489	1,172	6,176
Additions	113	1,110	319	1,542
Disposals	-	(12)	(17)	(29)
Reclassifications and currency differences	(69)	(167)	(25)	(261)
Depreciation	(165)	(797)	(339)	(1,301)
Impairment	-	(19)	(2)	(21)
Closing net book amount	1,394	3,604	1,108	6,106
As at 31 December 2021				
Purchase price	2,768	8,883	3,898	15,549
Accumulated depreciation and impairment	(1,374)	(5,279)	(2,790)	(9,443)
Net book amount	1,394	3,604	1,108	6,106
In CZK million				
As at 31 December 2020				
Opening net book amount	1,450	3,404	1,317	6,171
Additions	208	810	161	1,179
Disposals	-	(19)	-	(19)
Reclassifications and currency differences	34	77	13	124
Depreciation	(177)	(783)	(317)	(1,277)
Impairment	-	-	(2)	(2)
Closing net book amount	1,515	3,489	1,172	6,176
As at 31 December 2020				
Purchase price	2,813	9,057	3,753	15,623
Accumulated depreciation and impairment	(1,298)	(5,568)	(2,581)	(9,447)
Net book amount	1,515	3,489	1,172	6,176

As at 31 December 2021, the net book value of tangible assets in progress was CZK 851 million (2020: CZK 640 million) and was spread over all disclosed categories of property, plant and equipment according to their characteristics.

Additions to property, plant and equipment in category communication technology and related equipment relate mainly to the construction of telecommunication network in Slovakia.

The main investments for the accounting period, divided between domestic (Czech Republic) and foreign (Slovak Republic), are quoted in Note 3. The investments were financed by a combination of our own and external resources.

11 Intangible assets

In CZK million	Goodwill	Licences	Software and other intangible assets	Valuable rights	Customer portfolios	Total
As at 31 December 2021						
Opening net book amount	4,464	6,561	4,330	2,153	12	17,520
Additions	-	690	1,355	-	-	2,045
Additions – acquisitions of subsidiaries	-	-	1	-	-	1
Disposals	-	(177)	(2)	-	-	(179)
Disposal – acquisitions of subsidiaries	-	-	(1)	-	-	(1)
Reclassifications and currency differences	-	(80)	2	-	-	(78)
Amortisation	-	(749)	(1,659)	(120)	(6)	(2,534)
Impairment	(1)	-	(41)	(536)	-	(578)
Closing net book amount	4,463	6,245	3,985	1,497	6	16,196
As at 31 December 2021						
Purchase price	4,464	13,019	16,737	6,161	525	40,906
Accumulated amortisation and impairment	(1)	(6,774)	(12,752)	(4,664)	(519)	(24,710)
Net book amount	4,463	6,245	3,985	1,497	6	16,196
As at 31 December 2020						
Opening net book amount	4,464	5,011	5,067	884	31	15,457
Additions	-	2,228	861	1,693	10	4,792
Disposals	-	-	(5)	-	-	(5)
Reclassifications and currency differences	-	20	18	-	-	38
Amortisation	-	(698)	(1,598)	(424)	(29)	(2,749)
Impairment	-	-	(13)	-	-	(13)
Closing net book amount	4,464	6,561	4,330	2,153	12	17,520
As at 31 December 2020						
Purchase price	4,464	12,687	25,402	6,188	525	49,266
Accumulated amortisation and impairment	-	(6,126)	(21,072)	(4,035)	(513)	(31,746)
Net book amount	4,464	6,561	4,330	2,153	12	17,520

As at 31 December 2021, the net book value of intangible assets in progress was CZK 2,385 million (2020: CZK 2,603 million) and was spread over all disclosed categories of intangible assets according to their characteristic. Intangible assets in progress comprise mainly the newly acquired 5G licences.

The main investments for the accounting period, divided between domestic (Czech Republic) and foreign (Slovak Republic), are quoted in Note 3. The investments were financed by a combination of our own and external resources.

Goodwill

Goodwill from individual companies as at 31 December:

In CZK million	31 December 2021	31 December 2020
O2 Czech Republic a.s.	4,443	4,443
O2 IT Services s.r.o.	13	13
INTENS Corporation s.r.o. (Note 26)	6	6
Bolt Start Up Development a.s.	1	1
mluvii.com s.r.o.	-	1
Total	4,463	4,464

As at 31 December 2021 and 31 December 2020, O2 Czech Republic a.s. contained goodwill of CZK 4,315 million resulting from the acquisition of the remaining 49% ownership interest in Eurotel Praha spol. s r.o. ("Eurotel") and CZK 128 million related to the take-over of assets as a part of the project of merging Telefónica O2 Business Solutions spol. s r.o., a subsidiary company, with the Company from 2012.

The Group performed impairment tests, which did not result in any impairment losses on goodwill, in 2021 and 2020. The impairment test involves a determination of the recoverable amount of a cash-generating unit, which corresponds to the value in use. Value in use is the present value of the future cash flows expected to be derived from the cash-generating unit.

Value in use is determined on the basis of an enterprise valuation model and is assessed from the Group's internal perspective. Value in use is derived from the cash flow budgets, which are based on the medium-term business plan for a period of five years, adjusted for the impact of IFRS 16 Leases. The business plan has been approved by the management and is current as at the time of the impairment test. The business plan is based on past experience, as well as on future market trends. In addition, the business plan is based on general economic data derived from macroeconomic and financial studies. Cash flows beyond the five-year period are extrapolated using appropriate growth rate. The growth rate does not exceed the long-term average growth rate for the business in which the cash-generating unit operates. The assumptions, on which the management has based its business plan, include estimates of the future development of gross domestic product, interest rates, nominal wages, average revenue per user (ARPU), customer acquisition and retention costs, churn rates, capital expenditures, market share and growth rates.

The calculation of value in use for the cash-generating unit is most sensitive to the following key assumptions:

Estimated growth rate – the basis for the determination of the value assigned to the estimated growth rate is the forecast of the market and regulatory environment, where the Group conducts its principal business. The Group uses a growth rate of between -1% and 0% (2020: -1% and 0%).

Discount rate – the discount rate reflects the management’s estimate of the risk specific to a cash generating unit. The weighted average cost of capital (WACC) is used as the discount rate. It is estimated using the capital asset pricing model (CAPM) and publicly available data from capital markets.

Reasonable potential changes in the key assumptions, on which the recoverable amount is based, would not cause the recoverable amount to fall below book value because the value in use is significantly higher than the carrying amount of goodwill at O2 Czech Republic a.s. Impairment of goodwill is considered unlikely.

The Group also tested goodwill in other companies. The calculation methodology is the same as for O2 Czech Republic a.s. With the exception of mluvii.com s.r.o., where the value decreased by CZK 1 million as at 31 December 2021, the tests did not indicate any other decrease as at 31 December 2021 and 2020.

The Group has no other intangible assets with an indefinite useful life except goodwill.

Intangible assets in progress are tested annually for impairment losses. The tests performed as at 31 December 2021 and 31 December 2020 did not indicate any impairment losses.

Licences

Acquired licences represent the rights to operate cellular networks in various spectrum bands. While all the licences are technologically neutral, the Group uses the following standards for the operation of its cellular networks in the Czech Republic and Slovakia: GSM (2G), UMTS (3G), LTE (4G) and 5G.

Details of the individual licences are described in Note 23.

Carrying value of licences according to frequency spectra:

In CZK million	31 December 2021	31 December 2020
<1 GHz	3,835	4,394
1–3 GHz	2,006	1,784
>3 GHz	404	383
Total	6,245	6,561

Valuable rights

In December 2020, the Company extended the exclusive right to use the O₂ brand license beyond the previously agreed 27 January 2022 to 31 December 2036 and at the same time acquired the right to use the O₂ brand in other regions. As at 31 December 2021, the O₂ brand is recognised within intangible assets in the net book amount of CZK 1,497 million (2020: CZK 2,153 million). In 2021, the Company reported a loss of CZK 536 million under Impairment losses, as the Company does not currently anticipate the use of the O₂ brand beyond the current use in regions of the Czech and Slovak Republics. The Company determined the recoverable amount as value in use, wherein future expected cash flows were modelled based on the current outlook and discounted to the present value.

12 Leases

The Group mainly leases store spaces, office and technical buildings, telecommunication technology, vehicles and various office equipment.

Contracts for the lease of stores and office buildings are usually concluded for a period of 3 to 5 years. Contracts may contain options to extend the lease period and the amount of payments is often adjusted according to the development of the consumer price index. The lease of technical buildings and telecommunication technology is usually concluded for a period of 5 to 10 years, and the lease of vehicles for a period of 3 years. The lease of office equipment is usually short-term or the underlying asset has a low value. The Group has decided not to recognise the right-of-use assets and lease liabilities arising from these leases.

The lease contracts are negotiated on an individual basis and contain a wide range of different terms and conditions. Leased assets may not be the subject of collateral in connection with the drawing down of loans. For selected leases, the Group is limited in its conclusion of sublease contracts.

Right-of-use assets

In CZK million	Land, buildings and constructions	Telecommunication technology and related equipment	Other fixed assets	Total
As at 1 January 2021				
Opening net book amount	1,869	1,399	100	3,368
Additions	237	230	116	583
Disposals	(8)	-	-	(8)
Reclassifications and currency differences	(10)	(70)	-	(80)
Depreciation	(489)	(217)	(54)	(760)
Closing net book amount	1,599	1,342	162	3,103

In CZK million	Land, buildings and constructions	Telecommunication technology and related equipment	Other fixed assets	Total
As at 1 January 2020				
Opening net book amount	2,724	1,319	51	4,094
Additions	229	273	102	604
Disposals	(599)	(4)	(2)	(605)
Reclassifications and currency differences	8	43	-	51
Depreciation	(493)	(232)	(51)	(776)
Closing net book amount	1,869	1,399	100	3,368

Lease liabilities

In CZK million	2021	2020
As at 1 January	3,544	4,168
Repayment of lease liabilities	(771)	(787)
Lease interest paid	(69)	(82)
Cash flow total	(840)	(869)
Change in lease liabilities due to additions / disposals of right-of-use assets	607	110
(Profit) / loss from lease modification	(1)	3
Interest cost from lease liabilities	69	82
Other	(120)	50
Non-cash flows total	555	245
As at 31 December	3,259	3,544

Relevant discount rates for lease liabilities as at 31 December 2021 are in the range 1.0%–3.1% (31 December 2020: 1.0%–2.6%) depending on the length of the contract and the currency in which the contract is denominated.

For a detailed description of the analysis of the currency risk and the maturity of the lease liabilities refer to Note 18.

As at 31 December 2021 and 31 December 2020, the portfolio of short-term leases does not differ materially from the short-term leases accounted for during 2021 and 2020 to which the short-term lease costs disclosed below are related.

The following table shows selected amounts in the statement of total comprehensive income relating to the lease:

In CZK million	2021	2020
Interest on the lease liabilities	69	82
Costs related to short-term leases	19	25
Profit from subleasing	-	39
Costs related to the leasing of low-value assets not referred above as short-term leases	3	6
Variable lease payments recognised in the income statement	10	13

The total cash outflow from leasing in 2021 was CZK 840 million (2020: 869 million).

The Group estimates that the total amount of potential future cash outflows from lease contracts that have not started, residual value guarantees and lease options that are not included in the measurement of lease liabilities at 31 December 2021, is CZK 233 million (2020: CZK 270 million).

Finance lease

During 2021 and 2020, the Group has sub-leased a building that has been presented as part of right-of-use asset – property, plant and equipment. During 2020, the Group recognised a gain of CZK 39 million on derecognition of the relevant right-of-use asset and presented the gain as part of Gain on sale of property, plant and equipment.

During 2021, the Group recognised interest income on lease receivables of CZK 2 million (2020: CZK 2 million).

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date.

In CZK million	31 December 2021	31 December 2020
Less than one year	13	13
One to five years	52	52
More than five years	40	53
Total undiscounted lease receivable	105	118
Unearned finance income	9	10
Net investment in the lease	96	108

13 Inventories

In CZK million	31 December 2021	31 December 2020
Goods	1,045	910
Telecommunication material	<u>17</u>	<u>11</u>
Total	1,062	921

The inventories stated above have been reduced by CZK 159 million (2020: CZK 153 million) as a result of the write-down to net realisable value. The value of inventories recognised as an expense for sale of goods and utilisation of material is CZK 3,390 million (2020: CZK 3,239 million).

14 Receivables and other assets

In CZK million	31 December 2021	31 December 2020
Trade receivables (net)	5,541	5,592
Receivables from installment sale measured at fair value	1,270	-
Prepayments	253	286
Other debtors (net)	85	91
Net investment in the lease	11	11
Financial derivatives	20	4
Indirect taxes	<u>9</u>	<u>4</u>
Total current receivables	7,189	5,988

Trade receivables and other debtors are stated net of a bad debt provision of CZK 2,048 million (2020: CZK 2,174 million).

In 2020 the subsidiary O2 Slovakia s.r.o. entered into a securitisation arrangement with issue and sale of certificates, for which the portfolio of receivables from the installment sale of mobile devices serves as the underlying asset. Through the certificates, the Group transfers all the benefits and risks arising from the transferred receivables to the certificate holder ("economic transfer of receivables without recourse"). Two transfers have been made in 2020 and O2 Slovakia s.r.o. expects the arrangement to continue in the future. This arrangement has triggered a change in business model for managing the financial assets of these receivables from instalment sale before they are transferred. Receivables expected to be transferred under the securitization arrangement no longer fulfill conditions for recognition at amortised cost as defined by IFRS 9 and have been reclassified to be measured at fair value through profit and loss (FVTPL). Total of CZK 607 million of the receivables has been transferred out of amortised cost and has been recognized as measured at FVTPL resulting in loss of CZK 8 million recognized in Finance cost. Reclassification was made on 1 January 2021, which is the first day of the next reporting period after the change of business model. Prior period has not been restated.

The following table shows reconciliation from the opening balances to the closing balances of the receivables from installment sale of the subsidiary O2 Slovakia s.r.o. measured at fair value.

In CZK million

Balance as at 31 December 2020	-
Transfer in Level 3 (see above)	607
Loss on revaluation	(8)
Balance as at 1 January 2021	599
Increase in receivables from instalment sale	1,317
Repayment of instalment sale receivables	(525)
Sale of receivables under securitisation agreement	2
Gain / loss included in finance cost (unrealised)	(123)
Balance as at 31 December 2021	1,270

The analysis of credit risk, the ageing structure of trade receivables and the loss allowance for trade receivables is described in Note 18.

In CZK million	31 December 2021	31 December 2020
Trade and other receivables – non-current	1,051	882
Prepayments	55	136
Net investment in the lease	85	97
Financial derivatives	447	64
Financial instruments at fair value through other comprehensive income	49	41
Total other non-current assets	1,687	1,220

Trade receivables and other long-term receivables include mainly the long-term part of receivables from customers due to installment sales of mobile and fixed equipment.

Trade and other non-current receivables contained restricted cash of CZK 5 million (2020: CZK 5 million) resulting from the legal requirements of the Czech National Bank as a financial regulator for the Company as a small-scale payment services provider.

Financial instruments that are subject to an enforceable master netting arrangement or similar agreement include mainly roaming and interconnection services. The financial instruments are as follows:

In CZK million	31 December 2021	31 December 2020
Gross amounts of trade receivables from third parties	264	304
Amounts that are set off	(184)	(251)
Net amounts of trade receivables from third parties	80	53

15 Cash and cash equivalents

In CZK million	31 December 2021	31 December 2020	Interest rate
Cash at current bank accounts and other cash equivalents	596	2,150	Floating
Cash at current bank accounts and other cash equivalents (inter-company) (refer to Note 25)	<u>2,955</u>	<u>1,772</u>	Floating
Total cash and cash equivalents	3,551	3,922	

As at 31 December 2021 and 2020, cash and cash equivalents of the Group represented deposits with a maximum maturity of three months.

The committed and undrawn facilities available to the Group amounted to CZK 4,187 million as at 31 December 2021 (2020: CZK 4,189 million).

16 Trade and other payables

In CZK million	31 December 2021	31 December 2020
Trade payables	5,810	5,572
Tax and social security liabilities	784	822
Employee wages and benefits	527	493
Other payables	<u>90</u>	<u>150</u>
Total current trade and other payables	7,211	7,037

In CZK million	31 December 2021	31 December 2020
Trade payables	955	1,141
Other payables	<u>33</u>	<u>18</u>
Total other non-current liabilities	988	1,159

As at 31 December 2021 and 2020, other non-current liabilities consisted primarily of liabilities related to the purchase of non-current assets with a maturity exceeding 12 months.

Financial instruments that are subject to an enforceable master netting arrangement or similar agreement include, in particular, roaming and interconnection services. Financial instruments are as follows:

In CZK million	31 December 2021	31 December 2020
Gross amounts of trade payables	203	264
Amounts that are set off	<u>(184)</u>	<u>(251)</u>
Net amounts of trade payables	19	13

17 Financial debts

In CZK million	31 December 2021	31 December 2020
Debt	12,822	13,064
Accrued interest	61	56
Financial derivatives	7	39
Total financial debt	12,890	13,159
Repayable:		
Within one year	912	75
In more than one year	11,978	13,084
Total financial debt	12,890	13,159

On 20 May 2020, the Group entered into a loan agreement to refinance a loan with a new long-term loan having a credit limit of CZK 9,240 million and with a maturity of 5 years (there was no cash flow in relation to the transaction). The interest rate of the loan is based on the reference rate PRIBOR increased by a 0.60% margin with an embedded zero-floor clause. It stipulates that the reference interest rate cannot be lower than zero.

As at 31 December 2021, the Group had used a total of CZK 5,390 million (as at 31 December 2020: CZK 5,390 million) of the available credit from the long-term facility agreement. During the year, CZK 1,000 million was drawn, which was subsequently repaid in two installments of CZK 500 million each.

On 22 January 2021 the Group drew an additional short term loan of CZK 500 million which has been repaid on 20 August 2021. Interest rate of this loan was based on the reference rate PRIBOR increased by a 0.75% margin.

On 18 April 2019, the Group successfully completed a placement of four tranches of promissory loan notes (Schuldschein), in total amount of CZK 3,978 million (EUR 160 million) with maturity of 5 to 7 years. The interest rates and maturities of each tranche are as follows:

Tranche	Currency	Amount in currency unit	Interest rate	Maturity day
Schuldschein – EUR 5Y float	EUR	94,000,000	6M EURIBOR + 1.20%	17 April 2024
Schuldschein – EUR 7Y float	EUR	26,000,000	6M EURIBOR + 1.40%	17 April 2026
Schuldschein – EUR 5Y fix	EUR	30,000,000	1.203%	17 April 2024
Schuldschein – EUR 7Y fix	EUR	10,000,000	1.595%	17 April 2026

On 4 April 2017, the Group completed a placement of six tranches of promissory loan notes (Schuldschein), in total amount of CZK 3,467 million (CZK 2,970 million and EUR 20 million) with maturity of 5 to 7 years. The interest rates and maturities of each tranche are as follows:

Tranche	Currency	Amount in currency unit	Interest rate	Maturity day
Schuldschein – CZK 5Y float	CZK	90,000,000	3M PRIBOR + 0.75%	5 April 2022
Schuldschein – CZK 7Y float	CZK	130,000,000	3M PRIBOR + 1.05%	5 April 2024
Schuldschein – EUR 5Y float	EUR	11,000,000	6M EURIBOR + 1.30%	5 April 2022
Schuldschein – EUR 7Y float	EUR	9,000,000	6M EURIBOR + 1.50%	5 April 2024
Schuldschein – CZK 5Y fix	CZK	470,000,000	1.316%	5 April 2022
Schuldschein – CZK 7Y fix	CZK	2,280,000,000	1.734%	5 April 2024

No Group's assets serve as a collateral in connection with the drawing down of current loans.

Changes in liabilities arising from financial activities

In CZK million	2021	2020
Short-term and long-term loans as at 1 January	13,064	14,535
Drawdown	1,500	-
Repayment	(1,501)	(1,611)
Cash flow total	(1)	(1,611)
Exchange rate revaluation	(250)	150
Other	9	(10)
Non-cash flow total	(241)	140
Short-term and long-term loans as at 31 December	12,822	13,064

Other non-cash movements include the dissolution of costs directly related to the acquisition of loans.

18 Financial instruments and financial risk management

A) Classification of financial instruments

The following table shows the carrying amounts of classes of financial assets and liabilities split into the respective financial instrument categories:

As at 31 December 2021

In CZK million	Financial instruments at amortised cost	Financial instruments at FVTPL	Financial instruments at FVOCI	Total
Financial assets				
Trade and other receivables (excluding prepayments and indirect taxes)	6,677	-	-	6,677
Financial instruments at fair value through other comprehensive income	-	-	49	49
Financial derivatives – interest (hedge accounting)	-	-	419	419
Financial derivatives – interest and foreign currency (trading)	-	48	-	48
Net investment in leasing	96	-	-	96
Cash and cash equivalents	3,551	-	-	3,551
Receivables from installment sale measured at fair value	-	1,270	-	1,270
Total	10,324	1,318	468	12,110
Financial liabilities				
Financial debts	12,883	-	-	12,883
Trade and other payables*	6,888	-	-	6,888
Lease liabilities	3,259	-	-	3,259
Financial derivatives – interest and foreign currency (trading)	-	7	-	7
Total	23,030	7	-	23,037

* The payables do not include employee liabilities and benefits, liabilities related to VAT, other taxes and social security liabilities.

As at 31 December 2020

In CZK million	Financial instruments at amortised cost	Financial instruments at FVTPL	Financial instruments at FVOCI	Total
Financial assets				
Trade and other receivables (excluding prepayments and indirect taxes)	6,565	-	-	6,565
Financial instruments at fair value through other comprehensive income	-	-	41	41
Financial derivatives – interest (hedge accounting)	-	-	57	57
Financial derivatives – interest and foreign currency (trading)	-	11	-	11
Net investment in leasing	108	-	-	108
Cash and cash equivalents	3,922	-	-	3,922
Total	10,595	11	98	10,704
Financial liabilities				
Financial debts	13,120	-	-	13,120
Trade and other payables*	6,882	-	-	6,882
Lease liabilities	3,543	-	-	3,543
Financial derivatives – interest (hedge accounting)	-	-	30	30
Financial derivatives – foreign currency (trading)	-	9	-	9
Total	23,545	9	30	23,584

* The payables do not include employee liabilities and benefits, liabilities related to VAT, other taxes and social security liabilities.

Financial instruments at fair value through profit or loss as at 31 December 2021 and 2020 represent a loan provided, which includes an embedded derivative in the form of an option to convert the debt into equity.

In 2021 receivables from installment sale in the subsidiary O2 Slovakia s.r.o. have been transferred from trade receivables to a separate category of receivables measured at FVTPL. See Note 14 for more details on the transfer.

Financial instruments measured at fair value through other comprehensive income as at 31 December 2021 and 2020 represent stakes in companies Dateio s.r.o. and IP FABRIC, INC., which the Group owns through its subsidiary Bolt Start Up Development a.s.

B) Financial risk management

The Group is exposed to a variety of financial risks: market risk (including the effects of changes in market prices, exchange rates and interest rates), liquidity risk and credit risk. The Group's overall risk management strategy focuses on the minimisation of potential adverse effects on the financial performance of the Group. To hedge market exposures, the Group uses either derivative financial instruments (such as forward and swap contracts) or non-derivative instruments (such as deposit instruments).

The Group does not conduct any speculative trading activities.

Risk management is carried out by the treasury department in accordance with approved policies. The Board of Directors provides written principles for overall risk management. In accordance with these principles, there are policies 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.

(a) Market risk

(i) Foreign exchange risk

The Group is exposed to foreign exchange risks arising from various currency exposures, primarily with respect to items denominated in EUR, XDR and partially in the USD:

- a) balance sheet items (such as debt, bonds, receivables, payables) denominated in foreign currency,
- b) probable/forecasted transactions or commitments (such as purchases or sales) denominated in foreign currency, and
- c) net investments in the Slovak subsidiary (functional currency differs from CZK).

The Group's objective in managing its exposure to foreign currency fluctuations is to minimise the earnings and cash flow volatility associated with foreign exchange rate changes. The Group manages currency risk at Company level, the exposure of other Group companies to currency risk is not significant.

The Group primarily hedges the balance sheet foreign currency exposure, mainly net payables in EUR, USD or XDR. Only plain-vanilla instruments are currently used to hedge these liabilities.

The following foreign exchange contracts were used by the Group to manage the currency risk:

In CZK million	Notional amount		Fair value	
	as at 31 December		as at 31 December	
	2021	2020	2021	2020
Exchange rate contracts	471	2,166	(7)	2

The following table demonstrates the sensitivity of profit before tax to foreign exchange rates.

In CZK million	Effect on profit before tax	
	as at 31 December 2021	as at 31 December 2020
FX risk		
Value at Risk*	(50)	(103)
Stress testing**	(8)	(7)

* The Value at Risk (VaR) Model enables the Group to estimate the probability of maximum possible loss to the portfolio value in a given time frame which will not be exceeded given the defined confidence level. To conduct a VaR calculation, the Group uses the risk variance and covariance method using the normal distribution (parametric method). The time frame used is one month with a 95% confidence level. Considering the importance of net open positions resulting from the Group's financial assets and financial liabilities in individual foreign currencies, the Group models the VaR for a translation and transaction EUR and USD position.

** The foreign currency stress test represents the immediate loss caused by a 5% change in the foreign exchange rate in an unfavourable direction.

The following table illustrates the comprehensive quantitative data about the Group's currency structure of financial assets and liabilities. Other currencies mainly represent Special Drawing Rights (XDR), which are used in certain transactions within international roaming.

In CZK million	31 December 2021			
	CZK	EUR	USD	Other
Financial assets				
Cash and cash equivalents	155	3,389	7	-
Financial instruments at fair value through other comprehensive income	49	-	-	-
Financial derivatives – interest (hedge accounting)*	419	-	-	-
Financial derivatives – interest (trading)*	48	-	-	-
Financial derivatives – foreign currency (trading)*	-	273	198	-
Trade and other receivables (excluding prepayments and indirect taxes)	5,144	1,476	47	10
Net investment in leasing	96	-	-	-
Receivables from installment sale measured at fair value	-	1,270	-	-
Total financial assets	5,911	6,408	252	10

Financial liabilities

Financial debts	8,405	4,478	-	-
Trade and other payables**	2,970	3,667	232	19
Lease liabilities	1,212	2,047	-	-
Total financial liabilities	12,587	10,192	232	19

* Foreign currency financial derivatives are disclosed in the nominal amount of the contract (translated to CZK using the exchange rate as at 31 December 2021). For interest financial derivatives, the fair value as at 31 December 2021 is disclosed.

** The payables do not include employee liabilities and benefits, liabilities related to VAT, other taxes and social security liabilities.

In CZK million	31 December 2020			
	CZK	EUR	USD	Other
Financial assets				
Cash and cash equivalents	969	2,914	39	-
Financial instruments at fair value through other comprehensive income	41	-	-	-
Financial derivatives – interest (hedge accounting)*	57	-	-	-
Financial derivatives – interest (trading)*	8	-	-	-
Financial derivatives – foreign currency (trading)*	-	1,995	171	-
Trade and other receivables	4,304	2,238	6	17
Net investment in leasing	108	-	-	-
Total financial assets	5,487	7,147	216	17
Financial liabilities				
Financial debts	8,373	4,747	-	-
Trade and other payables**	2,829	3,744	245	64
Lease liabilities	1,160	2,383	-	-
Financial derivatives – interest (hedge accounting)*	30	-	-	-
Total financial liabilities	12,392	10,874	245	64

* Foreign currency financial derivatives are disclosed in the nominal amount of the contract (translated to CZK using the exchange rate as at 31 December 2020). For interest financial derivatives, the fair value as at 31 December 2020 is disclosed.

** The payables do not include employee liabilities and benefits, liabilities related to VAT, other taxes and social security liabilities.

(ii) Interest rate risk

The Group is exposed to interest rate risks arising from floating interest rates on financial instruments (Note 15) and borrowings (Note 17).

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The financial assets and short-term liabilities are currently maintained on floating rates while long-term debts can be maintained on both floating and fixed rates. The Group uses interest rate swaps to manage the ratio of debts with fixed and variable interest rates (Note 18 (e)).

The following table demonstrates the sensitivity of profit before tax to a change in interest rates.

In CZK million	Effect on profit before tax	
	31 December 2021	31 December 2020
Interest rate risk		
Stress testing*	(1)	1

* To quantify the potential impact of the interest rate risk, the Group assesses the sensitivity of interest income and expense to the parallel shift of the relevant yield curves by one percentage point upwards. The sensitivity of the relevant section of the profit or loss is measured as a change in annual interest income and expense from the interest-sensitive positions as at 31 December.

(b) Liquidity risk

The Group's most important objective in liquidity risk management is to have sufficient access to financial resources to meet all its cash payment obligations as they fall due. Financial resources consist of cash and cash equivalents (including highly liquid financial instruments) and committed credit facilities arranged with banks.

The table below summarises the maturity profile of the Group's financial liabilities as at 31 December 2021 and as at 31 December 2020 based on contractual undiscounted payments. Values include projections of future interests.

As at 31 December 2021	Less than 3 months	3 to 12 months	1 to 5 years	> 5years
In CZK million				
Interest bearing borrowings	59	1,117	12,740	-
Lease liabilities	200	563	2,011	736
Trade and other payables*	5,052	830	247	845
Total	5,311	2,510	14,998	1,581

* The payables do not include employee liabilities and benefits, liabilities related to VAT, other taxes and social security liabilities.

As at 31 December 2020 In CZK million	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years
Interest bearing borrowings	50	176	12,534	946
Lease liabilities	166	571	1,963	1,287
Trade and other payables*	4,327	1,378	381	945
Total	4,543	2,125	14,878	3,178

* The payables do not include employee liabilities and benefits, liabilities related to VAT, other taxes and social security liabilities.

(c) Credit risk

(i) Trade receivables, contract assets and other receivables

Credit risk concentration, with respect to trade accounts receivable, is limited due to the large number of customers. The major part of trade receivables is concentrated within the Czech Republic. Although the Group does not currently foresee higher credit risk associated with these receivables, the collectability is significantly impacted by the financial stability of the national economy.

It is the Group's policy that all customers wishing to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis in order to minimise the Group's exposure to bad debts.

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

Credit risk is managed by the Credit Management Unit and consists of three main activities:

- a) prevention: scoring of new customers – activation control procedures (integrated Black Lists, Solus Debtors Register, other information), limits and/or deposits applied based on the customer segments or the product. Credit limits for indirect sales partners (dealers, distributors, retailers) for the purchase of our products, collateral security (deposits, receivables insurance, bill of exchange, pledge of real estate, bank guarantee etc.).
- b) monitoring of accounts receivables: regular monitoring of the creditworthiness of existing customers and monitoring and analysis of the receivables ageing structure (internal and external indicators of any potential bad debts). Those activities are processed in an integrated system solution for scoring, maintenance and collection of receivables.
- c) collection process: Credit Management cooperates with Customer Care on the implementation of a reasonable, effective and continuous collection process. Collection process responsibilities are divided. The collection from active customers is in the responsibility of the Customer Care unit; collection after the contract is terminated falls within the responsibility of Credit Management.

The ageing structure of receivables is the main instrument for monitoring the development of the credit risk. However, the Group also considers the payment history, payment method, type of service and the significance of individual customers. Based on these key parameters, the Credit Management department analyses the development of the credit risk on a weekly basis.

The amount of the loss allowance is determined by the ageing structure of the receivables. The percentage of loss allowance for each ageing category is derived from a combination of historical data for a period of up to ten years and expected future developments. Historical information is based primarily on the actual evolution of past debt repayments. Macroeconomic forecasts of the economy, the expected mix of products and a combination of service types are assessed by the management when considering future developments. The rate of loss allowance reflects the expected percentage of receivables of a particular ageing category that will not be repaid.

In the calculation of expected credit losses for receivables as at 31 December 2021, and in accordance with the requirements of IFRS 9, the Group reflected the deteriorating expectations of macroeconomic indicators and forecasts of future development as a result of restrictive measures related to the outbreak of the COVID-19 pandemic.

The Group stratified customers into several segments according to the expected impact of the COVID-19 pandemic on the given segment and subsequently modelled expected credit losses for each segment, taking into account various scenarios of future development. The Group also modelled the impact of legislative changes to mitigate the effects of the COVID-19 pandemic in respect of the assistance offered to debtors on collectability of receivables past due and adjusted accordingly the amount of recognised allowances.

The Group calculates the loss allowance for trade receivables and contract assets as the expected lifetime credit losses. The loss allowance for contract assets is created in the same way as the loss allowance for trade receivables.

Other receivables include mainly receivables from the Czech Telecommunication Office in respect of discounts granted to customers with disabilities and claims for damages. The credit risk assessment of these receivables is prepared along with the trade receivables and contract assets.

Overview of the credit risk for trade receivables, contract assets and other receivables as at 31 December 2021

In CZK million	Weighted-average loss rate	Gross carrying amount	Loss allowance	Residual value	Receivables credit-impaired
Due	3%	6,695	230	6,465	No
1–30 days overdue	13%	302	38	264	No
31–90 days overdue	29%	65	19	46	No
More than 91 overdue	96%	1,846	1,765	81	Yes
Total	23%	8,908	2,052	6,856	

Overview of the credit risk for trade receivables, contract assets and other receivables as at 31 December 2020

In CZK million	Weighted-average loss rate	Gross carrying amount	Loss allowance	Residual value	Receivables credit-impaired
Due	3%	6,607	199	6,408	No
1–30 days overdue	11%	377	41	337	No
31–90 days overdue	24%	106	25	80	No
More than 91 overdue	97%	1,971	1,914	57	Yes
Total	24%	9,061	2,179	6,882	

Loss allowance for trade receivables, contract assets and other receivables

In CZK million

As at 1 January 2020	2,203
Additions	1,209
Write-off of receivables	(846)
Retirements/amount paid	(392)
Foreign currency differences	5
As at 31 December 2020	2,179
Additions	916
Transfer of allowances for repayment receivables measured at fair value	(47)
Write-off of receivables	(658)
Retirements/amount paid	(330)
Foreign currency differences	(8)
As at 31 December 2021	2,052

The Group uses the following methods of hedging against the credit risk of receivables: insurance of receivables, receiving deposits from customers, bank guarantees and bills of exchange. Insurance of the receivables and deposits received from customers for goods and services provided were the most significant means of hedging in 2021 and 2020.

As at 31 December 2021 and 2020, the Group held no trade receivables or contract assets for which no loss allowance would be created due to collateral received.

(ii) Cash and cash equivalents

As at 31 December 2021, the Group reported cash and cash equivalents of CZK 3,551 million (2020: CZK 3,922 million). Bank receivables are held by institutions rated A1–Baa3 by Moody's; in 2021 and 2020 none of the credit ratings of the institutions deteriorated in a way which, in the Group's view, would cause the credit risk to increase significantly.

Cash and cash equivalents were analysed for impairment in accordance with the methodology described in Note 1.11 Financial instruments. As at 31 December 2021 and 31 December 2020, the loss allowance was evaluated as immaterial and the Group decided not to recognise it.

(d) Fair value estimation

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

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

As at 31 December 2021 and 2020, the Group reported financial assets at fair value through profit or loss, and investments in equity instruments measured at fair value through other comprehensive income classified as Level 3. As at 31 December 2021 and as at 31 December 2020, the Group held foreign currency forward and swap contracts and interest rate swaps classified as Level 2 financial instruments measured at fair value.

The fair value of receivables from installment sale measured at FVTPL was determined as the present value of future cash flows discounted at the interest rate derived from the last tranches of transfers of receivables adjusted by the current economic outlook. Some of the inputs used are not directly or indirectly observable from market data, thus this is a Level 3 fair value.

During the reporting period ending 31 December 2021 and 31 December 2020, there were no transfers between Level 1 and Level 2 fair value measurements and no other transfers into and out of Level 3 fair value measurements.

The fair values of the derivative financial instruments are calculated on the basis of the discounted cash flow model (using market rates).

The carrying amount of financial assets and financial liabilities not measured at fair value is a reasonable approximation of its fair value, since financial assets and liabilities are composed mainly of current trade receivables and payables, cash and cash equivalents and borrowings with variable interest rates. An exception are tranches of Schuldschein financing with fixed interest rates (Note 17) with a total carrying amount of CZK 3,787 million (2020: CZK 3,843 million) and fair value of CZK 3,609 million (2020: CZK 3,849 million) as at 31 December 2021.

The fair value was calculated on the basis of contractual cash flows discounted using a current yield rate. It is classified as level 3 fair value in the fair value hierarchy due to the inclusion of unobservable inputs such as the Group's own credit risk.

(e) Hedge accounting

The Group hedges part of its cash flows arising from a long-term debt denominated in CZK with a floating interest rate in order to hedge the interest rate risk. The hedging instrument used is a combination of several interest rate swaps denominated in CZK. The hedged cash flows are the expected monthly payments from September 2017 to May 2025. The Group's objective is to maintain an appropriate mix of debts with fixed and floating interest rates in line with the risk management concept.

As at 31 December 2021, the total nominal value of hedging instruments was CZK 5,100 million (2020: CZK 5,100 million) and their fair value was in total CZK 419 million (2020: CZK 27 million). The hedge was assessed as effective as at 31 December 2021 and 2020 and the net unrealised gain of CZK 390 million (2020: the net unrealised loss CZK 1 million), net of deferred tax of 74 million (2020: CZK 0 million), was recognised in other comprehensive income. As at 31 December 2021, the weighted average of the fixed interest rate determined by the hedging instruments was 1.13 % (2020: 1.13 %).

In 2021 and 2020, the cash flow hedge was effective and no ineffectiveness was recognised in profit or loss. Interest expense includes the net interest expense from realised hedge derivatives in amount of CZK 5 million (2020: net interest expense CZK 17 million).

19 Deferred income taxes

Deferred tax was calculated for 2021 at statutory rate 19% for the Czech Republic (2020: 19%) and 21% for the Slovak Republic (2020: 21%).

In CZK million	2021	2021
As at 1 January	(309)	(348)
Charged/(credited) to Profit or loss (Note 7)	132	36
Charged/(credited) to Other comprehensive income	(74)	-
Foreign exchange translation reserve	(1)	3
As at 31 December	(252)	(309)

No deferred tax asset is recognised on the following tax losses:

In CZK million	31 December 2021	Expiration	31 December 2020	Expiration
Bolt Start Up Development a.s.	8	2023–2024	13	2023–2025
Smart home security s.r.o.	4	2025	12	2022–2025
Emeldi Technologies, s.r.o.	4	2026	-	-
mluvii.com s.r.o.	2	2022	25	2022–2025
O2 Family, s.r.o.	-	-	107	2021–2022
Total	18		157	

As at 31 December 2021 and 2020, no deferred tax asset was recognised in respect of tax losses carried forward amounting to CZK 18 million (2020: CZK 157 million) as the companies'

managements are not certain that the realisation of the related tax benefit through future taxable profits is probable.

The following amounts are offset in the consolidated balance sheet:

In CZK million	Deferred tax asset	Deferred tax liability
31 December 2021		
Deferred tax asset/(liability) before set-off	337	(589)
Set-off of tax	<u>(279)</u>	<u>279</u>
Net deferred tax asset/(liability)	58	(310)
31 December 2020		
Deferred tax asset/(liability) before set-off	498	(807)
Set-off of tax	<u>(434)</u>	<u>434</u>
Net deferred tax asset/(liability)	64	(373)

The deferred tax comprises the following components:

In CZK million	Balance sheet		Profit or loss		Other comprehensive income	
	31 Dec 2021	31 Dec 2020	2021	2020	2021	2020
Temporary differences relating to:						
Tax losses	13	13	-	(30)	-	-
Property, plant and equipment, intangible assets and right-of-use assets	(256)	(504)	248	15	-	-
Costs to obtain contracts	(130)	(123)	(7)	(13)	-	-
Contract assets	(34)	(58)	24	32	-	-
Trade receivables, inventories and other differences	233	367	(133)	(40)	-	-
Financial derivatives – hedge accounting	<u>(78)</u>	<u>(4)</u>	<u>-</u>	<u>-</u>	<u>(74)</u>	<u>-</u>
Total	(252)	(309)	132	(36)	(74)	-

20 Provisions for liabilities and charges

In CZK million	Asset retirement obligation	Regulatory and court Decisions	Other provisions	Total
As at 1 January 2020	74	109	10	193
Additions during the year	8	116	1	125
Utilised during the year	-	(50)	(3)	(53)
As at 31 December 2020	82	175	8	265
Additions during the year	99	3	21	123
Utilised during the year	-	(41)	-	(41)
As at 31 December 2021	181	137	29	347
Short-term provisions 2020	-	175	8	183
Long-term provisions 2020	82	-	-	82
As at 31 December 2020	82	175	8	265
Short-term provisions 2021	-	137	15	152
Long-term provisions 2021	181	-	14	195
As at 31 December 2021	181	137	29	347

As at 31 December 2021, the Group recognised the provision for the estimated costs of dismantling, removing assets and restoring sites amounting to CZK 181 million (2020: CZK 82 million). The reason for recognition of the provision was an estimate of the present value of the future costs of dismantling, removing assets and restoring sites in connection with the network construction in Slovakia. Scenarios of future costs based on management estimates, market prices, and historical costs were discounted to present value. Discount rates are paired to the expected dates of the future dismantling and removal of assets.

Other provisions for which the expected timing of payments is not certain are expected to be utilised within the twelve months of the balance sheet date. The short-term part of other provisions consists mainly of the provision for restructuring costs. The long-term part of other provisions consists of a provision for an extended guarantee for fixed HW, created since 2021.

Provisions for regulatory and court decisions are made in respect of legal proceedings involving the Group (refer to Note 21) and other potential administrative proceedings.

21 Contingencies and litigations

The Company is involved in several legal disputes arising from ordinary course of business. Throughout the year 2021, further successes were achieved, which confirmed long term trend of success in proceedings in which the Company is involved. Generally, major proceedings are characterized by length over 5 years and they are also affected by frequent cancellations and repeated inquiries by lower instances.

Significant legal disputes and other proceedings related to the Company are described below.

I. Office for Protection of Economic Competition (“ÚOHS”) – proceedings concerning fine of CZK 49.5 million

These proceedings were originally initiated in 2003 against Eurotel. The Company was therefore not a party to the proceedings. The subject was the conclusion of an interconnection contract of Eurotel with Vodafone (then Český Mobil), in which the parties had agreed to connect their networks directly. Originally, the Office imposed a fine of CZK 22 million on Eurotel, but Eurotel filed an administrative action. After several proceedings with judicial reviews in various administrative courts, the courts eventually overturned the decision. In the meantime, however, Eurotel ceased to exist, without the possibility of transferring the liability for administrative delicts.

However, in the second half of 2016, the Office suddenly completely ignored this fact and issued a “clarification of the subject of the administrative proceedings”, in which it accused the Company (which had not concluded the interconnection contract) of the action, and in December 2016, it issued a decision imposing a fine of CZK 49.5 million. The company filed an appeal. Based on this appeal, the decision was cancelled in January 2019 and the case returned to the first instance for further proceedings.

In March 2021, referring to current judicature, the Office terminated this proceeding, stating that the “specification of the subject of administrative proceeding” from 2016 could not sufficiently substitute the official a proper notice which shall initiate the proceeding. The Company does not register any further decision or procedural notice in this matter so far.

II. VOLNÝ, a.s. – dispute concerning CZK 4 billion

On 28 March 2011, VOLNÝ, a.s. (“VOLNÝ”) filed a legal action with the Municipal Court in Prague against the Company for an amount exceeding CZK 4 billion for an alleged abuse of a dominant position on the market of Internet broadband connection provided to households via ADSL. VOLNÝ filed the legal action to coincide directly with the opening of ÚOHS proceedings, which were closed by a decision in favour of O2 on 23 January 2019.

The amount is meant to represent the lost profit for the years 2004 to 2010. VOLNÝ claims to have had 30% share on the dial-up Internet market in 2003 and, in its legal action, it implies that it should have automatically had the same result on the broadband market, which it did not. Allegedly, it was due to the margin squeeze applied by the Company on the fix broadband market. The Company replied to the petition in July 2011, noting that both the claim and the calculations submitted by the plaintiff were unsubstantiated and pointing out discrepancies in the petition claims. The court started the proceedings in the matter and hearings took place during the year 2013, including the hearings of witnesses and experts.

During the proceedings the court appointed its own economic expert and defined a set of questions. The revision expert opinion confirmed the Company’s statement. The expert opinion stated that no anti-competition practice had been proved against the Company and also pointed out absence of the Company’s dominant position in the market of Internet broadband connection.

After hearing the independent expert appointed, the Municipal Court in Prague dismissed the legal action by VOLNÝ in full. The court concluded that the Company had not breached competition rules and thus could not cause any damage. The decision was delivered in June 2018. The plaintiff filed an appeal and also applied for the court fee relief. The Municipal Court in Prague and the High Court in Prague granted the plaintiff a court fee relief of 50%.

The ÚOHS decision dated 23 January 2019, which was submitted to the court, confirmed the Company's consistent position in the civil dispute and the correctness of the first instance dismissal of the legal action.

In September 2020, the High Court in Prague delivered a confirmatory judgment, which came into legal force on 26 November 2020. The High Court awarded the Company full reimbursement of the costs of the proceedings. The dispute is therefore successfully closed but the Company initiated execution against VOLNÝ. In May 2021, the Supreme Court issued an order suspending the enforceability of rulings on costs. However, the court has not yet decided on the matter of extraordinary appeal filed by VOLNÝ.

III. TELECONSULT-INTERNATIONAL, spol. s.r.o. ("TELECONSULT") – dispute concerning CZK 55 million

In 2011, the Supreme Court cancelled the previous decisions in the dispute, in which the Company had already succeeded. Although the reasons were mainly of procedural and formal character, the Municipal Court in Prague has gone through all the evidence again. The plaintiff, as a former operator of the audiotex lines claims that the Company allegedly caused damages (lost profit) between May and October 1998. At the hearing held on 14 January 2016, the court issued a decision in which the vast majority of the claim was dismissed, and the Company should receive roughly 97% of the costs of the proceedings from the plaintiff. TELECONSULT was awarded CZK 1.7 million in damages, which represents the difference between the volumes of minutes measured by both parties in May 1998. The Company filed an appeal against this part of the decision.

In its decision dated 29 March 2017, the High Court in Prague confirmed the dismissal of the legal action against the Company and also changed the original verdict regarding the amount of CZK 1.7 million. Ultimately, the Company was completely successful in this dispute. The plaintiff filed an extraordinary appeal to the Supreme Court.

On 30 September 2019, the Supreme Court cancelled the decision of the High Court in Prague for formal procedural failures and hence the case is now back in the appellate instance again. The decision of the Municipal Court in Prague remained unaffected. In March 2021, the High Court repeated key evidence and issued verdict, where the court confirmed its previous position in the case. The action against the Company was therefore entirely dismissed again. However, in May 2021, the plaintiff filed (for the third time) an extraordinary appeal to the Supreme Court. The Supreme Court rejected the plaintiff's appeal by its decision from January 2022.

IV. European Commission – proceedings about network sharing with T-Mobile

In 2016, the European Commission initiated own-initiative proceedings concerning a 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 the Company in 2013 (as part of the 2015 spin-off, the contract was transferred to CETIN a.s. - formerly Česká telekomunikační infrastruktura a.s.). In the notification, the Commission initially stated that the commencement of the proceedings alone does not mean that it is convinced of any offence. The company has submitted its opinions and supporting documents to the Commission and is cooperating 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 the Company of the imposition of a fine pursuant to Article 23 of Regulation (EC) No. 1/2003 and, possibly, of the imposition of further measures (e.g. technological, financial, legal or procedural) 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.

The Company is firmly convinced that it has acted in compliance with applicable legal and regulatory rules. In addition, in the opinion of the Company, network sharing has significantly strengthened the availability and quality of mobile signal in the Czech Republic, which is currently among the top European countries in terms of mobile signal quality. Thus, no harm to competition or consumers has occurred. The Company continues to communicate with the European Commission. Within the deadline of 31 January 2020, the Company sent the European Commission a response to the statement of objections, including an analysis of the benefits of network sharing and quality of coverage in the Czech Republic.

The hearing at the European Commission took place in September 2020, where the Company had the opportunity to submit key arguments. The Company continuously communicates with the European Commission, but there hasn't been issued any decision or termination during 2021. As an attempt to terminate lengthy proceedings and thus achieve legal certainty before the upcoming deployment of 5G networks, the Company with other investigated entities, submitted a draft of the commitments to the European Commission in 2021. The European Commission conducted the public consultation on this proposal in the autumn of 2021. Therefore, the Company believes that the proposed commitments might be accepted by the European Commission and lead to the termination of the proceeding during 2022.

V. Others

The possible impact of other minor disputes is also reflected in the financial statements. However, the risks associated with these disputes are not significant.

The Group considers disclosing other information regarding the said litigations not advisable, as it could endanger the strategy of the Company in these cases.

The Group is convinced that all the litigation risks of the Group are appropriately reflected in the financial statements.

22 Commitments

Capital expenditures contracted but not yet included in the financial statements as at 31 December 2021 amounted to CZK 986 million (2020: CZK 183 million). The majority of contracted amounts relates to the construction of telecommunication networks and maintenance and development of internal IT systems. The capital expenditures will be financed by both internal and external sources.

23 Service concession arrangements

Provision of electronic communication services in the Czech Republic

The Company performs communication activities as defined in the Act on Electronic Communications based on a notification and a certificate from the Czech Telecommunications Office no. 516 and, as amended by later changes, nos. 516/1, 516/2, 516/3, 516/4, 516/5, 516/6, 516/7 and 516/8.

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

- a) public fixed communications network,
- b) public mobile communications network,
- c) public access telephone services,
- d) other voice services,
- e) leased lines,
- f) radio and TV signal broadcasting,
- g) data transmission,
- h) Internet access services,
- i) other voice services – service is not defined as of public access,
- j) leased lines – service is not defined as of public access,
- k) radio and TV signal broadcasting – service is not defined as of public access,
- l) data transmission – service is not defined as of public access,
- m) Internet access services – service is not defined as of public access.

The Company provides electronic communications services in the 900 and 1,800 MHz frequency bands under the GSM (2G) standard using radio frequencies assigned by the CTO and valid until 22 October 2024. The Company provides services in the 2,100 MHz frequency band under the UMTS (3G) standard using radio frequencies assigned by the CTO and valid until 1 January 2022. Services are further provided in the 800, 1,800, 2,100, 2,600 and 3,600 MHz frequency bands under an LTE (4G) standard using radio frequencies assigned by the CTO and valid until 22 October 2024 for a part of the 1,800 MHz frequency band, and until 30 June 2029 for the 800 and 2,600 and the remaining part of the 1,800 MHz frequency bands and until 30 June 2032 for the 3,600 MHz frequency band. The company also provides services in the 1,800, 2,100 and 3,600 MHz under 5G (NR) standard using the same abovementioned frequencies assigned by the CTO.

In November 2020 the Company acquired frequencies in 700 and 3,500 MHz. The licences were received in January 2021. In September 2021, the company returned the 450 MHz frequency licence. In December, the company successfully completed licence renewal process of 2100 MHz frequency band in accordance with the Act on Electronic Communications and received a new licence valid until 31 December 2041.

The radio frequency license can be extended by another license based on an application submitted to the CTO in accordance with the Act on Electronic Communications. On the other hand, given the current regulatory and business environment in the Czech Republic, prevailing contractual, legal, regulatory, competitive or other economic factors may limit the period for which the Company can benefit from the use of these radio frequency assignments in the future.

Provision of electronic communications services in the Slovak Republic

O2 Slovakia, s.r.o. provides electronic communication services as defined in the Act on Electronic Communications no. 351/2011 by means of a public mobile electronic communication network in the 800 MHz and 1,800 MHz frequency bands under the LTE standard on the basis of individual authorisation from the Regulation Office of the Slovak Republic (RO) and valid until 31 December 2028 for 800 MHz frequency band and 7 September 2026 for the 1800 MHz frequency band, in the 900 MHz frequency band under GSM and UMTS standards on the basis of individual authorisation from the RO and valid until 7 September 2026, in the 2,100 MHz frequency bands under UMTS and LTE standards on the basis of individual authorisation from the RO and valid until 7 September 2026, and also provides services of broadband mobile access to the Internet at fixed location in the 3,500 MHz and 3,700 MHz frequency bands on the basis of individual authorisations from the RO and valid until 31 December 2024 for 3,700 MHz frequency band and 31 August 2025 for 3,500 MHz frequency bands.

O2 Slovakia, s.r.o. acquired additional frequencies in 700, 900 and 1,800 MHz in November 2020.

Imposition of obligations related to the provision of the Universal Service

During 2021, the Company provided the following selective services under CTO imposed obligations to provide Universal Service:

- a) access for persons with disability to the public telephone service, which must be equal to access enjoyed by other end users; such special access primarily takes the form of specially adapted telecommunication equipment,
- b) special price plans, which are different from the price plans used under standard commercial conditions, for persons with special social needs and persons with disabilities.

Universal Service is reimbursed by the CTO that receives funds from the state budget, which are remitted without delay to the Company's account.

24 Share capital and reserves

	31 December 2021	31 December 2020
Nominal value per ordinary registered share (in CZK)	10	10
Number of shares – fully paid-up	300,882,147	300,882,147
Nominal value per ordinary registered share (in CZK)	100	100
Number of shares – fully paid-up	1	1
Ordinary shares (in CZK million)	3,009	3,009

Shareholdings in the Company were as follows:

	31 December 2021	31 December 2020
PPF Telco B.V.	90.52%	67.83%
PPF A3 B.V.	-%	10.59%
PPF CYPRUS MANAGEMENT Ltd.	-%	5.16%
Other shareholders	9.48%	16.42%

Capital management

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

The Company's objectives when managing its capital are:

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

In the following periods, the Board of Directors will continue to make in-depth analyses of and assess the current and anticipated results of the Company, including scheduled and potential investments and cash flow generation, and will optimise the capital structure to serve the purpose of achieving these plans.

The Company does not record any limitations on the use of sources of equity that have materially affected or substantially affected the issuer's operations, even indirectly.

Stand-alone equity structure as at 31 December 2021 and 2020:

In CZK million	31 December 2021	31 December 2020
Share capital	3,009	3,009
Share premium	3,602	4,806
Funds and reserves	8	8
Cash flow hedging	337	21
Retained earnings from previous years	2,431	1,756
Net income for current year	6,392	5,790
Total	15,779	15,390

The General Meeting which took place per rollam (by letter) from 11 May 2020 to 17 June 2020 (the first round of voting) approved the ordinary share acquisition program for the next 5 years starting from 9 December 2020. Up to 30,088,214 ordinary shares can be acquired for a maximum price of CZK 297 per share.

25 Related party transactions

Company PPF Telco B.V. is part of the PPF Group.

The PPF Group invests in various industries such as banking and financial services, telecommunication, real estate, and biotechnology. PPF's reach spans from Europe to Russia, across Asia and the USA.

All sales and purchase transactions with related parties are based on contractual agreements negotiated on normal commercial terms and conditions and at market prices. Outstanding balances of assets and liabilities are, interest-free (excl. financial assets and liabilities used for financing), unsecured and the settlement occurs either in cash or by offsetting. The financial assets are tested for impairment at the balance sheet date, and neither allowances nor write-offs were recorded due to a value decrease.

The following transactions were carried out with related parties:

I. Parent company:

The total amount of dividend paid in 2021 to shareholders from the PPF Group was CZK 5,281 million (2020: CZK 5,281 million). Payables from the dividend and other distributions to shareholders from the PPF Group were fully settled as of 31 December 2021 and 31 December 2020 respectively.

II. Other related parties – PPF Group:

Balance sheet		
In CZK million	31 December 2021	31 December 2020
a) Receivables and other assets	311	353
b) Trade and other payables	1,231	983
c) Financial derivatives – assets	68	11
d) Financial derivatives – liabilities	6	38
e) Cash equivalents (Note 15)	2,955	1,772
f) Lease liabilities	989	946

Statement of comprehensive income	Year ended	Year ended
In CZK million	31 December 2021	31 December 2020
a) Sales of services and goods	438	505
b) Purchases of services and goods	9,416	9,880
c) Profit(+)/Loss(-) on fair value adjustments of financial instruments net	(18)	(38)
d) Interest income	1	1
e) Interest expense*	12	12

* Net interest income/expense on realised hedging derivatives concluded with PPF banka a.s. is recognised within the interest expense.

In 2021, purchases of goods and services and interest expense do not include lease payments for lease contracts, for which right-of-use asset is recognised according to requirements of IFRS 16. It relates mainly to the lease of data centres and other technical and administrative buildings from company CETIN a.s. Total amount of these payments is CZK 228 million (2020: CZK 235 million).

In 2021, the Group acquired intangible assets from TV Nova s.r.o. in the amount of CZK 297 million and from Home Credit International a.s. in the amount of CZK 2 million.

CETIN a.s.

After the spin-off of the Company in 2015, new business relations were established with the company CETIN a.s. ("CETIN") through a purchase of fixed line and mobile telecommunications services and other services. These services are provided based on concluded wholesale agreements and represent an important item of interconnection costs for the Group.

Amongst the most important newly arising relationships are the following wholesale agreements:

a) mobile network services agreement (so-called MNSA)

The subject of the agreement is the provision of a service of coverage by mobile CDMA, 2G, 3G and LTE signal in the Czech Republic. The agreement also contains arrangements about the development, operation and maintenance of the network, the transfer capacity of the network, new services, the extension of new services and collocation. The agreement valid from 2 June 2015 has been concluded for a period of 30 years. In 2021, the total payment was approximately CZK 4,770 million (2020: CZK 4,675 million).

The first period, for which the Company was obliged by the agreement to use the services, was for a period of seven years, that is until 31 May 2022. On 8 September 2021 both parties concluded an amendment to the MNSA agreement valid from 1 January 2022 to 31 December 2051. Through this amendment the Company has secured access to the infrastructure and functionalities of the Radio Access Network operated by the company CETIN up to 30 years from the date of signing the amendment. Furthermore, the Company has hereby established conditions for the development of a new 5G network, which was one of the commitments assumed in the auction of the 700 MHz frequencies.

For the next ten years the Company will pay a base fee of CZK 5.2 billion for the services increased annually for expected and additional special incremental projects and increases of network capacity. Two years before the end of this initial period the Company will start to negotiate new terms for the next period. The Company is also entitled at any point of the contract term to request network development, new services, or extension of services beyond the current agreement framework. These are defined as special incremental services.

The MNSA was assessed in accordance with IFRS 16 Leases to identify whether the contract is, or contains, a lease. The contract clearly stipulates the parameters of services to be provided. The underlying asset used to provide such services is implicitly defined by the contract as a mobile network as a whole. However, the Company does not have the right to obtain substantially all of the economic benefits from use of this asset with CETIN providing services through mobile network to third parties. The MNSA is a service contract and does not contain a lease.

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

The subject of the MMO agreement is the access to the public fixed communications network of CETIN a.s., the provision of the wholesale service of interconnection at the end point, and the wholesale service of access to publicly available services of electronic communications and related additional services. The agreement has been concluded for an indefinite period, during which the Company will pay monthly charges (number of access points multiplied by unit price) and undertakes to utilise at least 640,000 xDSL lines (which represents only part of the total payment) for a period of seven years after signing the agreement, that is until 31 May 2022. In 2021, the total cost was approximately CZK 3,387 million (2020: CZK 3,452 million). The MMO is a service contract and does not contain a lease as the Company has not the right to obtain substantially all of the economic benefits from the assets used for provision of the services defined in the MMO agreement.

c) agreement on the access to end points (so-called RADO)

CETIN a.s. enables the Group to access end points, which includes the provision of transfer capacity between the end point of the electronic communications network and the transfer point located in a collocation within the area of a single region. The Company pays one-off expenses for the establishment, speed change, relay or relocation of the end point and regular monthly fees for provided sections based on transfer speed. In 2021, the total cost was approximately CZK 774 million (2020: CZK 804 million). The RADO is a service contract and does not contain a

lease as the Company has not the right to obtain substantially all of the economic benefits from the assets used for provision of the services defined in the RADO agreement.

AB 4 B.V.:

In connection with the optimization of the capital structure and risk management, the Company and its subsidiary O2 Slovakia s.r.o. entered in 2020 agreements on the issue and sale of certificates, for which the portfolio of receivables from the installment sale of mobile and fixed devices serves as the underlying asset. The issue enabled the Group to immediately obtain financial resources in the amount of CZK 1,870 million, which otherwise would be collected from the installment sales on an ongoing basis. Through the certificate, the Group transferred all the benefits and risks arising from the transferred receivables with a book value of CZK 1,899 million to the certificate holder ("economic transfer of receivables without recourse"). This fulfilled the conditions for derecognition of financial assets in accordance with IFRS 9 Financial Instruments and the Group derecognised the transferred receivables at the date of sale. Despite the transfer of risk, the Group remained the legal owner of the receivables and, in accordance with the contract, continues to manage and collect these receivables. The transfer of receivables thus has no impact on the relationship between the Group and its customers. As at the dates of sales, the Group recognised a one-off expense related to the sale of receivables of CZK 68 million and a liability for management and collection of receivables of CZK 39 million, which the Group will accrue to revenues for the period of administration of transferred receivables..

III. Associates and joint ventures

Balance sheet

In CZK million	31 December 2021	31 December 2020
a) Receivables and other assets	49	52
b) Trade and other payables	58	63

Statement of comprehensive income

In CZK million	Year ended 31 December 2021	Year ended 31 December 2020
a) Sales of services and goods	157	168
b) Purchases of services and goods	216	215
c) Dividend income	13	13

IV. Remuneration to members of the Board of Directors, Supervisory Board and executive management

Remuneration cost related to the Members of the Board of Directors, the Supervisory Board and executive management of the Company were as follows:

In CZK million	Year ended 31 December 2021	Year ended 31 December 2020
Payroll costs	80	72

Payroll costs represent all compensation due to the Members of the Board of Directors and executive management of the Group, including social security and health insurance, and remuneration for execution of the service of the Supervisory Board.

No loans were provided to any members of the Board of Directors, Supervisory Board or executive management in 2021 and 2020.

26 Subsidiaries, associates and joint ventures

Investments in equity accounted investees can be analysed as follows:

In CZK million	31 December 2021	31 December 2020
Associates	9	9
Joint ventures	4	4
Investments in total	13	13

Financial information for the joint venture Tesco Mobile ČR s.r.o., which is accounted for in the consolidated financial statements of the Group using the equity method and which is material for the Group, are presented in the table below. The information below reflects the amounts presented in the financial statements of the joint venture prepared in accordance with IFRS and adjusted for any differences in accounting policies and reported accounting periods.

Financial results of the company Tesco Mobile ČR s.r.o. (unaudited*)

In CZK million	For the period 01-12/2021	For the period 01-12/2020
Revenue	299	302
Profit/(loss) before tax	9	9
Profit/(loss) after tax	7	7

In CZK million	31 December 2021	31 December 2020
Current assets	114	110
Non-current assets	18	14
Current liabilities	125	118
Equity	6	6

* Fiscal year of Tesco Mobile ČR s.r.o. is from March to February.

Reconciliation of the summarised financial information presented to the carrying amount of its interest in joint venture is as follows:

In CZK million	2021	2020
Net assets as at 1 January	6	6
Group share of net assets as at 1 January	4	4
Group share of profit/(loss) after tax	4	4
Dividend income	(4)	(4)
Total investment in joint venture	4	4

The Group held interests in the following entities as at 31 December 2021 and 2020:

Subsidiaries	Group's interest as at 31 December		Country of incorporation	Activity	Method of consolidation
	2021	2020			
1. O2 Slovakia, s.r.o.	100%	100%	Slovak Republic	Mobile services, internet and data transmission services	Consolidated (full consolidation)
2. O2 Family, s.r.o.	100%	100%	Czech Republic	Mobile services, internet and data transmission services	Consolidated (full consolidation)
3. O2 TV s.r.o.	100%	100%	Czech Republic	Digital television	Consolidated (full consolidation)
4. O2 IT Services s.r.o.	100%	100%	Czech Republic	Information technology services	Consolidated (full consolidation)
5. Bolt Start Up Development a.s.	100%	100%	Czech Republic	Start-up fund	Consolidated (full consolidation)
6. O2 Business Services, a. s.	100%	100%	Slovak Republic	Mobile services, internet and data transmission services	Consolidated (full consolidation)
7. Asake HW s.r.o. in liquidation (previously eKasa s.r.o.)	100%	100%	Czech Republic	Electronic sales reporting ("EET") solution provider	Consolidated (full consolidation)
8. O2 Financial Services s.r.o.	100%	100%	Czech Republic	Financial Services intermediary	Consolidated (full consolidation)
9. mluvii.com s.r.o.	100%	100%	Czech Republic	On-line communication platform	Consolidated (full consolidation)
10. Smart home security s.r.o.	100%	100%	Czech Republic	Provider of home security equipment and services	Consolidated (full consolidation)
11. INTENS Corporation s.r.o.	100%	100%	Czech Republic	Provider of transport telematics services	Consolidated (full consolidation)
12. Emeldi Technologies, s.r.o.	51%	51%	Czech Republic	Software development and sales	Consolidated (full consolidation)

Associates

13.	První certifikační autorita, a.s.	23%	23%	Czech Republic	Certification services	Not consolidated (immaterial)
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Joint ventures

14.	Tesco Mobile ČR s.r.o.	50%	50%	Czech Republic	Mobile virtual network operator for prepaid services	Consolidated (equity method)
15.	Tesco Mobile Slovakia, s.r.o.	50%	50%	Slovak Republic	Mobile virtual network operator for prepaid services	Not consolidated (immaterial)

Transactions in 2021

No significant transactions took place in 2021.

Transactions in 2020

The company AUGUSTUS, spol. s r.o. was dissolved on 5 August 2020.

27 Post balance sheet events

Delisting of shares

The General Meeting of the Company decided by per rollam voting from 3 January 2022 to 26 January 2022 on the forced transfer of all other participating securities to the main shareholder (as defined by Section 375 of the Corporations Act), PPF Telco B.V., for consideration of CZK 270 per share.

As of the date when the consolidated financial statements were authorised for issue the Company's shares were no longer traded on the Prague Stock Exchange and on RM-SYSTÉM, česká burza cenných papírů a.s. As of this date the Company is no longer a public interest entity.

Other

There were no other events which occurred after the balance sheet date and which would have a material impact on the consolidated financial statements as at 31 December 2021.

1 March 2022

Tomáš Kouřil

Chief Financial Officer
Vice-chairman of the Board of Directors

Václav Zakouřil

Director of Legal and Regulatory Affairs
Member of the Board of Directors

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

**PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN UNION**

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GENERAL INFORMATION

O2 Czech Republic a.s., (the “Company”) has the form of a joint stock company and is incorporated and domiciled in the Czech Republic. The address of its registered office is Za Brumlovkou 266/2, Prague 4, 140 22, Czech Republic.

As of 31 December 2021, 90.52 % of the Company’s voting rights were held indirectly by Mrs. Renáta Kellnerová through PPF Telco B.V. – a company from the PPF group, which is controlled by Mrs. Renáta Kellnerová, who was appointed 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.

The Company is a major integrated telecommunications provider in the Czech market providing fully convergent services.

The average number of employees of the Company was 3,686 as at 31 December 2021 (2020: 3,922).

As at 31 December 2021 the Company’s shares were traded on the Prague Stock Exchange and on RM-SYSTÉM, česká burza cenných papírů a.s.

The financial statements were approved and authorised for issue by the Board of Directors on 1 March 2022.

STATEMENT OF TOTAL COMPREHENSIVE INCOME

For the year ended 31 December 2021

In CZK million	Notes	2021	2020
Revenues	4	31,521	30,761
Other income from non-telecommunication services		244	227
Capitalisation of fixed assets		213	232
Expenses	5	(21,423)	(21,489)
Impairment loss on financial assets	14, 18	(149)	(291)
Depreciation and amortisation (including right-of-use asset)	10, 11, 12	(3,095)	(3,506)
Amortisation of costs to obtain contracts	4	(442)	(406)
Impairment loss on non-current assets	10, 11	(545)	(15)
Operating profit		6,324	5,513
Finance income	6	1,697	1,690
Finance costs	6	(392)	(405)
Profit before tax		7,629	6,798
Corporate income tax	7	(1,237)	(1,008)
Net profit		6,392	5,790
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss			
Changes in fair value of cash flow hedging financial instruments net of tax	18	316	(1)
Other comprehensive income, net of tax		316	(1)
Total comprehensive income, net of tax		6,708	5,789
Earnings per share (in CZK) – basic*	8	21	19

* There is no dilution of earnings as no convertible instruments have been issued by the Company.

BALANCE SHEET

As at 31 December 2021

In CZK million	Notes	31 December 2021	31 December 2020
ASSETS			
Property, plant and equipment	10	1,548	1,834
Intangible assets	11	13,836	14,844
Right-of-use assets	12	1,733	1,761
Costs to obtain contracts	4	685	648
Investment in subsidiaries and equity accounted investees	26	6,518	6,730
Contract assets	4	55	68
Other assets	14	1,597	837
Non-current assets		25,972	26,722
Inventories	13	654	640
Receivables	14	7,740	7,273
Contract assets	4	124	237
Cash and cash equivalents	15	3,139	2,633
Current assets		11,657	10,783
Total assets		37,629	37,505
EQUITY AND LIABILITIES			
Ordinary shares	24	3,009	3,009
Share premium	24	3,602	4,806
Retained earnings, funds and reserves		9,168	7,575
Total equity		15,779	15,390
Financial debts	17	11,975	13,078
Lease liabilities	12	1,398	1,490
Deferred tax liability	19	298	358
Contract liabilities	4	22	25
Other liabilities	16	970	835
Provisions for liabilities and charges	20	14	-
Non-current liabilities		14,677	15,786
Financial debts	17	1,250	64
Lease liabilities	12	457	419
Trade and other payables	16	4,636	4,859
Contract liabilities	4	342	383
Income tax liability	7	343	421
Provisions for liabilities and charges	20	145	183
Current liabilities		7,173	6,329
Total liabilities		21,850	22,115
Total equity and liabilities		37,629	37,505

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

In CZK million	Notes	Share capital	Share premium	Treasury shares	Funds	Cash flow hedging	Retained earnings	Total
Adjusted balance as at								
1 January 2020		3,102	8,264	(2,348)	8	22	7,029	16,077
Profit for the year		-	-	-	-	-	5,790	5,790
Other comprehensive income		-	-	-	-	(1)	-	(1)
Total comprehensive income		-	-	-	-	(1)	5,790	5,789
Payment of dividends and other distributions	9	-	(1,203)	-	-	-	(5,114)	(6,317)
Cancellation of treasury shares	24	(93)	(2,255)	2,348	-	-	-	-
Acquisition of part of the subsidiary eKasa s.r.o.	25	-	-	-	-	-	(159)	(159)
As at 31 December 2020		3,009	4,806	-	8	21	7,546	15,390
Profit for the year		-	-	-	-	-	6,392	6,392
Other comprehensive income		-	-	-	-	316	-	316
Total comprehensive income		-	-	-	-	316	6,392	6,708
Payment of dividends and other distributions	9	-	(1,204)	-	-	-	(5,115)	(6,319)
As at 31 December 2021		3,009	3,602	-	8	337	8,823	15,779

STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

In CZK million	Notes	2021	2020
Profit before tax		7,629	6,798
Non-cash adjustments for:			
Depreciation and amortisation	10, 11, 12	3,095	3,506
Amortisation of costs to obtain contracts	4	442	406
Impairment loss		545	15
Net interest cost		195	223
Unrealized foreign exchange losses/(gains) (net)		23	1
Change in provisions and allowances and loss/gain on sale and write-off of receivables		244	467
Dividend income		(1,592)	(1,601)
Loss/Profit on sale of fixed assets		182	-
Other adjustments		(19)	(41)
Working capital changes:			
(Increase)/decrease in receivables and other assets		(680)	218
(Increase)/decrease in inventories		(34)	32
Increase of cost to obtain contracts	4	(479)	(475)
(Increase)/decrease of contract assets		126	172
(Increase)/decrease in contract liabilities		(44)	54
Increase/(decrease) in trade and other payables		(92)	(920)
Cash flows from operating activities		9,541	8,855
Interest received		71	89
Income tax paid		(1,448)	(663)
Net cash flow from operating activities		8,164	8,281
Cash flows from investing activities			
Purchase of property, plant and equipment		(402)	(441)
Purchase of intangible assets		(1,532)	(3,259)
Proceeds from sales of property, plant and equipment and intangible assets		23	1
Cash purchase of subsidiary		(112)	-
Dividends received		324	247
Repayment of loans	25	994	2,019
Provision of loans	25	(40)	(40)
Net cash used in investing activities		(745)	(1,473)
Cash flows from financing activities			
Proceeds from borrowings	17	1,850	-
Repayment of borrowings	17	(1,500)	(1,610)
Repayment of lease liabilities	12	(524)	(507)
Interest paid		(241)	(317)
Dividends and other distributions paid		(6,319)	(6,319)
Settlement of derivatives		(19)	-
Net cash used in financing activities		(6,753)	(8,753)
Net increase/(decrease) in cash and cash equivalents		666	(1,945)
Cash and cash equivalents – beginning of year	15	2,633	4,604
Effect of foreign exchange rate movements on cash and cash equivalents		(160)	(26)
Cash and cash equivalents – end of year	15	3,139	2,633

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

1.1 Basis of preparation

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

The financial statements were prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

The financial statements are the separate financial statements of the Company and meet requirements of IFRS with respect to the preparation of parent's separate financial statements. The Company also issued consolidated financial statements prepared for the same period in accordance with IFRS, which were approved for issue by the Board of Directors.

The financial statements were prepared under the historical cost convention except for derivative financial instruments for which IFRS require a different measurement method, as disclosed in the accounting policies below.

The preparation of financial statements in conformity with IFRS required the Company to use certain critical accounting estimates. It also required estimates be used in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant for the financial statements are disclosed in Note 1.2 Use of estimates, assumptions and judgments.

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

The Company is an integrated telecommunications operator, offering a comprehensive range of both fixed and mobile voice, data and internet services.

Adoption of new or revised IFRS standards and interpretations

For financial statements for the year ended 31 December 2021, the Company adopted new or revised standards and interpretations as mentioned below.

- Revision of IAS 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16 Interest Rate Benchmark Reform (Phase 2)

The revision has no material impact on the Company.

New IFRS not yet effective as at 31 December 2021 (includes standards applicable for the Company)

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

Standards and amendments		Effective from
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022
	Annual Improvements to IFRS Standards 2018–2020	1 January 2022
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred indefinitely

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

1.2 Use of estimates, assumptions and judgments

The preparation of financial statements in conformity with IFRS requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, as well as the reported amounts of revenues and expenses for the reporting period.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. Given the fact that these assumptions and estimates represent a certain degree of uncertainty, the actual results and recognised assets and liabilities could differ from those estimates.

The estimates and assumptions that might have a significant effect on the carrying amounts of assets and liabilities are discussed below:

(i) Income taxes and deferred taxes

The Company creates an estimate for current income tax and, considering the temporary differences, also for deferred tax. There is no final tax assessment of a number of transactions and calculations at the time of making the estimates, and the determination of the deferred tax liability and receivable reflects the expectation of how the Company's assets will be used, and its liabilities settled. Where the final items that increase or decrease the tax base are different from the amounts that were calculated, such differences will be recognised in the period in which such determination is made (refer to Note 7 and Note 19).

(ii) Property, plant and equipment and intangible assets

The accounting treatment of investments in property, plant and equipment and intangible assets entails the use of estimates to determine the useful life for depreciation and amortisation purposes.

Due to future technological developments and alternative uses for assets, it is necessary to make estimates for the purpose of determining the useful life of software and telecommunication technology and equipment (refer to Note 10 and Note 11). There is a significant element of judgment involved in making technological development assumptions, since the timing and scope of future technological advances are difficult to predict.

The useful life of an asset is reviewed and revised at each balance sheet date and it is adjusted as a change in accounting estimate if needed.

(iii) Right-of-use assets and lease liabilities

The valuation of right-of-use assets is based on significant judgment by the management to determine the contractual lease term.

The Company's lease term generally includes a non-cancellable lease term, the periods covered by the lease extension option if the Company is reasonably certain to exercise that option, and the periods covered by the termination option if the Company is reasonably certain to not exercise that option.

In the case of contracts for indefinite periods, the Company distinguishes leases of data centres, telecommunication technology (including leases of land for construction of base transceiver stations) and other assets. In the case of leasing of data centres and telecommunication technology, the lease term is determined based on the assessment of the enforceable period. A lease is no longer enforceable beyond the point at which both the lessee and the lessor have the unilateral right to terminate the lease without permission from the other party, and with no more than an insignificant penalty. The Company considers the penalty in the broader economics of the contract and not only contractual termination payments, including the cost of leasehold improvements, restorations and relocation cost. The lease term for the telecommunication technology leases is usually 6 to 10 years.

The Company does not recognise the right-of-use assets from the lease contracts of other assets for an indefinite period if the lessee and the lessor both have the possibility of terminating the lease contract at short notice (generally 3 months) and without significant penalties, either contractual or financial.

(iv) Lease discount rate

The Company uses the incremental borrowing rate as the discount rate for the leasing. The lease contracts were divided into groups based on the length of the contract period and the currency in which the contract is denominated, and the relevant discount rate was allocated to each group of lease contracts. The IRS rates over a 15 years period for the major currencies, in which leases of the Company are denominated, were used to calculate the incremental borrowing rate. These rates were increased by a risk premium corresponding to the Company's usual loan margin and a premium reflecting the type of underlying asset and its collateral.

(v) Provisions and contingent liabilities

As set out in Note 21, the Company is a participant in several lawsuits and administrative proceedings including those related to its pricing policies. For all litigation and administrative proceedings, it is necessary to estimate the probability of occurrence of the liability, its amount and the moment of its occurrence. Provisions are recognised only when it is probable that the Company will be forced to pay a present obligation in future, and it is possible to reliably estimate its amount. Contingent 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 fully within the control of the Company.

(vi) Receivables

Trade receivables are carried at face value less a bad debt allowance. The loss allowance is equal to the expected credit losses in the lifetime of the contract. Details regarding the determination of receivables impairment are stated in Note 1.8 Financial instruments and Note 18 Financial instruments and financial risk management.

(vii) Commission as costs to obtain contracts with customers

For the capitalised incremental costs to obtain contracts, the amortisation period was determined as the expected average period over which the customer will use the Company's services. This amortisation period was further specified by Company's customer segments, separately for business customers and consumers and separately for certain types of products.

Throughout the amortisation period, the actual values are subject to periodic review and reassessment against the developments of business activities, trends in the telecommunications sector and the structure of business channels.

(viii) Stand-alone selling prices

In accordance with the requirements of the IFRS 15, transaction price is allocated to separate performance obligations based on the proportional stand-alone selling prices of the products and services provided. A stand-alone selling price is the price at which the Company sells a promised product or service to its customers in a stand-alone transaction. In most cases, the Company considers the prices shown in its price list as the stand-alone selling prices.

1.3 Foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Balances of monetary items are translated at period-end exchange rates. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions in foreign currencies and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, with the exception of transactions related to qualifying cash flow hedges recognised in other comprehensive income.

1.4 Property, plant and equipment

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

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

Property, plant and equipment include all costs directly attributable to bringing the asset to working condition for its intended use.

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

Repairs and maintenance costs are expensed as incurred.

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

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

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

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

	Years
Buildings	up to 56
Communication technology and related equipment	up to 26
Other fixed assets	up to 11

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

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

An asset's carrying amount is immediately written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (refer to Note 1.7 Impairment of non-current non-financial assets)

1.5 Intangible assets

Intangible assets of the Company include computer software, purchased goodwill, licences, valuable rights and customer bases. Computer software mainly represents the external acquisition costs of the Company's information systems that are intended for use within the Company. Generally, costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. However, costs that are directly associated with identifiable and unique software products controlled by the Company and that have a probable economic benefit exceeding the cost beyond one year are recognised as intangible assets. Computer software costs recognised as assets are amortised using the straight-line method over their useful

lives, generally from one to ten years. Valuable rights are amortised according to the period for which the Company is allowed to utilise the rights.

Intangible assets of the Company acquired in business combinations are stated at their acquisition costs (which are equal to their fair value as at the date of acquisition) less the accumulated amortisation and accumulated impairment charges and are amortised on a straight-line basis over their estimated useful lives. Customer bases are amortised over the period of the remaining average terms of the binding contracts or the period over which they can be used to generate economic benefit for the entity.

Acquired licences are recorded at cost and amortised on a straight-line basis from the start of the commercial service over the remaining life of the licence (i.e. over 15 to 20 years) to best reflect the pattern by which the economic benefits of the intangible assets will be utilised by the Company.

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

Goodwill, arising from the purchase of subsidiary undertakings and interests in associates and joint ventures, represents the excess of the fair value of the purchase consideration over the fair value of the net assets acquired. Goodwill is not amortised but is tested for impairment at least annually or anytime there are indications of a decrease in its value.

On the balance sheet day, the Company 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 they do not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate.

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

Intangible assets that are no longer in use and no future economic benefits are expected or that are disposed of for any other reason are de-recognised from the balance sheet 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. the 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 an indefinite useful life or the date the asset is classified as held for sale.

1.6 Non-current assets held for sale

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

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

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

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

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

1.7 Impairment of non-current non-financial assets

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

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

1.8 Financial instruments

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

(i) Financial assets – classification and valuation

Financial assets are classified into three categories – instruments subsequently measured at amortised cost, fair value through other comprehensive income (“FVOCI”) or fair value through profit or loss (“FVTPL”). Financial assets are generally classified according to the Company's business model for managing financial assets and at the same time according to the contractual cash flow characteristics of the financial asset. Derivatives embedded in contracts where the host contract is a financial asset within the scope of the IFRS 9 standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification and measurement.

A financial asset is measured at amortised cost if it meets both of the following conditions:

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

A debt investment is measured at fair value through other comprehensive income if it meets both of the following conditions:

- 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 to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding.

The Company evaluates the objectives of business models in which financial assets are held at the portfolio level, as they are composed of financial assets with the same characteristics of the contractual terms and the expected cash flows. To determine the business model, the Company considers the different types of risks affecting the assets, their management, the measurement of profitability and performance of individually significant financial assets and entire portfolios, as well as the decision to hold or sell comparable assets in the past.

The Company determines whether the contractual cash flows are solely payments of principal and interest on the unpaid part of the principal based on the contractual terms of the financial instrument. The Company considers events that may affect the amount or timing of cash flows, the amount of prepayment received and the conditions for determining variable interest income, as well as the extension of the duration of financial instruments or the limitation of the Company's claim to expected cash flows.

On initial recognition of an equity investment that is not held for trading and would have been otherwise measured at fair value through profit or loss, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. On initial recognition, the Company may irrevocably designate a financial asset to fair value through the profit or loss category if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Except for trade receivables without a significant financing component, a financial asset is initially measured at fair value plus (for an item not in an FVTPL category) transaction costs that are directly attributable to its acquisition.

The subsequent measurement of the individual categories of financial assets relevant to the Company is as follows.

Financial assets measured at fair value through profit or loss

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

Financial assets measured at amortised cost

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

Equity investments at fair value through other comprehensive income

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

(ii) Financial assets – impairment

The Company uses a model of impairment of financial assets that reflects expected credit losses and is applied to financial assets measured at amortised cost and contract assets.

The Company calculates the loss allowance for financial assets as equal to the 12-month expected credit losses or equal to the expected credit losses over the life of the financial assets.

The Company uses the provision matrix to calculate loss allowances for trade receivables and contract assets at the amount of expected credit losses over the life of the financial asset. For cash and cash equivalents and loans provided, the Company calculates loss allowances equal to the

12-month expected credit losses unless there has been a significant increase in the credit risk since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Company compares the default risk of a financial instrument at the balance sheet date with the risk at the date of initial recognition and considers reasonable and supportable information that is relevant and available without undue cost or effort and that indicates a significant increase in the credit risk. The assessment is mainly based on the Company's historical experience, available information and market analyses, including current 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 3rd 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 3rd 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. In the case of cash and cash equivalents, it represents the situation, in which 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 Company in accordance with the contract and the cash flows that the Company expects to receive, discounted at the original effective interest rate.

Impairment losses on financial assets, including contract assets, are recognised in the income statement within a separate line Impairment loss on financial assets.

(iii) Financial liabilities

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

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

changes in fair value due to changes in the credit risk of the Company, which are recognised in other comprehensive income.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. In subsequent periods, other financial liabilities are measured at amortised cost using the effective interest method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in profit or loss as incurred.

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

Borrowing costs on debts used to finance the acquisition and construction of qualifying assets are capitalised during the time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

(iv) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost with subsequent measurement at amortised cost decreased by a loss allowance according to the IFRS 9 impairment model. For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand, demand deposits with banks, other short-term highly liquid investments with original maturities of three months or less, adjusted for bank overdrafts. Bank overdrafts are shown within short-term financial debts in the financial liabilities section of the balance sheet.

(v) De-recognition of financial assets

A financial asset is de-recognised when the rights to receive cash flow from the asset have expired or the Company has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial asset is written-off, if the Company is certain, that either a part or total balance of the asset will not be recovered, that means when the Company has used all available options to recover the asset. The accounting write-off does not represent loss of legal right and it does not impede the possible repayment of the financial asset in the future. Expenses related to written-off amounts are included in profit or loss in the line Impairment loss on financial assets.

Financial liabilities are de-recognised when the Company's contractual obligations are discharged, cancelled or expired. The difference between the carrying amount and the consideration paid for the liability is recognised in profit or loss in the relevant period.

(vi) Financial instruments offsetting

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.

1.9 Accounting for financial derivatives and hedging activities

The Company uses financial derivatives, in particular interest rate swaps and currency contracts, to hedge the risks associated with the movement of interest rates and exchange rates. Derivative financial instruments are initially measured at fair value.

The method of reporting the final gain or loss from revaluation to fair value depends on whether the derivative is classified as a hedging instrument and the nature of the hedged item.

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

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

The Company has used the transitional provisions in IFRS 9 and continues to apply IAS 39 for all hedging relations.

On the date a derivative contract is entered into, the Company designates certain derivatives as either:

- (i) hedge of the fair value of a recognised asset or liability (fair value hedge),
- (ii) hedge of a forecasted transaction or of a firm commitment (cash flow hedge), or
- (iii) other derivatives.

(i) Fair value hedging derivatives

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

(ii) Cash flow hedging derivatives

Changes in the fair value of derivatives that are designated and qualified as cash flow hedges and that are highly effective are recognised in other comprehensive income. Where the forecasted transaction or firm commitment results in the recognition of an asset or of a liability, the gains and losses previously deferred in other comprehensive income are transferred from other

comprehensive income and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts deferred in other comprehensive income are transferred to profit or loss and classified as revenues or expense in the same periods during which the hedged firm commitment or forecasted transaction affects profit or loss.

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

(iii) Other derivatives

Certain derivative transactions, while providing effective economic hedges under the Company's risk management policies, either do not qualify for hedge accounting under the specific rules previously included in IAS 39 and currently in IFRS 9 or the Company has elected not to apply the specific hedge accounting provisions. Changes in the fair value of such derivative instruments that do not qualify for hedge accounting are recognised immediately in profit or loss in line with IFRS 9.

1.10 Leases

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

A) Leases where the Company is the lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component based on its relative stand-alone prices. However, for the vehicle leases the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company 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. Subsequently, it is measured at cost less any accumulated depreciation and impairment losses and adjusted for certain reassessments of the lease liability. Rights of use assets are depreciated on a straight-line method over the shortest of the lease term or the useful life of the underlying asset.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate

cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is subsequently increased by the interest costs on the lease liability and decreased by any lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or the rate used to determine these payments, a change in the estimate of the amount expected to be payable under a residual value guarantee, or in the event of a change in the lease term due to the Company re-evaluating whether it is reasonably certain to exercise the option to extend, or not to exercise the option to terminate the lease.

The Company elected to apply the practical expedient not to recognise a right-of-use asset and a lease liability for contracts where the lease term is less than 12 months and for leases of low-value underlying assets (particularly the lease of small IT and office equipment).

B) Leases where the Company is the lessor

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

As a lessor the Company will determine at a commencement date whether the lease should be classified as financial or as operating.

The classification is done based on the Company's assessment of whether the lease transferred substantially all the risk and rewards related to the ownership of the underlying asset. If these were transferred lease will be classified as finance lease, otherwise it will be operating lease. In its assessment the Company considers certain indicators such as the lease length in relation to the useful economic life of the asset.

Where the Company is an intermediate lessor the main lease and the sub-lease will be accounted for separately. The Company will determine whether the sub-leases are classified as operating or finance leases with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If the main lease is short term and the Company is applying an exception in line with IFRS 16 Leases, the sub-lease will be classified as operating lease.

The Company recognises lease payments received under operating leases as income on a straightline basis over the lease term as part of 'other revenue'.

1.11 Inventories

Inventory is stated at the lower of cost or net realisable value. Costs of inventories include the purchase price and related costs of acquisition (transport, customs duties and insurance). The cost of inventory is determined using the 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.

1.12 Current and deferred income taxes

Income tax expense represents both current and deferred taxation.

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

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

The main temporary differences arise from differences in the tax and accounting values of property, plant and equipment and intangible assets, impairment of receivables and allowance for obsolete and slow moving inventories, contract asset and cost to obtain contracts according to IFRS 15, non-deductible tax allowances and provisions and unused tax credits.

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

The Company accounts for the tax consequences of transactions and other events in the same way that it accounts for the transactions and other events themselves. Thus, for transactions and other events recognised in profit or loss, any related tax effects are also recognised in profit or loss. For transactions and other events recognised directly in equity, any related tax effects are also recognised directly in equity. Similarly, the recognition of deferred tax assets and liabilities in a business combination affects the amount of goodwill.

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

1.13 Employee benefits

(i) Pension insurance and supplementary pension insurance

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

(ii) Redundancy and severance payments

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

(iii) Bonus plans

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

1.14 Provisions

Provisions are recognised when the Company will be obliged to pay a present liability in the future and it is possible to reliably estimate its amount. Where the Company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

1.15 Revenues and expenses

The Company generates revenues through the sale of mobile and fixed telecommunication services such as voice and data services, Internet services, SMS services, ICT services as well as the sale of mobile and fixed access devices. The Company recognises revenues when the promised goods or services are transferred to customers and at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Products and services can be sold separately or in bundles.

In the case of contracts containing bundles, the Company accounts separately for specific products or services if these products or services can be separated into stand-alone parts and have added value for the customer in that stand-alone form. The price invoiced to customer is allocated to contract on a pro-rata basis using the price list for the stand-alone performance obligations.

The Company enters into contracts with a large number of customers under similar contractual terms. The Company applies a portfolio approach to contracts that can be grouped to portfolios with comparable terms, similarly to other telecommunication peers, as it reasonably expects that the effect of applying a portfolio approach does not differ materially from considering each contract separately. Principally, the Company adopts the portfolio approach to the majority of contracts with customers. However, contracts with customers from the corporate segment which have unique terms that do not fit into any portfolio are assessed and accounted for individually.

In determining whether the revenues are recognised as gross (i.e., with costs recognised separately) or net, the Company assesses whether it is in an agency relationship. If it is, the Company recognises revenues in net amounts, i.e. only the amount corresponding to the margin or commission is recognised. The Company may enter into a relationship with an agency character in the provision of premium SMS, premium numbers or other services.

Commissions paid to agents for activation, marketing, and other activities are included in the cost of sales for the period, unless it is the cost that meets the definition of incremental costs to obtain contracts. These expenditures are recognised in the balance sheet within the line Costs to obtain contracts and are linearly amortised. The amortisation of those costs is presented within the line Amortisation of costs to obtain contracts in the income statement, the amortisation period is determined on the basis of the estimated average period, during which the customer uses Company's services.

(i) Mobile origination – Internet and data, voice services, MMS and SMS

Revenues from mobile services include revenues from both contract and prepaid cards for the provision of telecommunication services (internet and data, voice, MMS and SMS services).

Contract service comprises a flat rate and a variable part invoiced according to the actual usage. Revenues are recognised, invoiced and paid by customers on a monthly basis according to the actual utilisation of services with the exception of contracts containing multiple services and products for which the total transaction price is allocated based on the standalone selling prices of the individual performance obligations. A typical contract is for 24 months. However, in

accordance with the Act on Electronic Communications, since 1 April 2020, residential customers have the option to terminate the service without penalty at any time after 3 months since conclusion of the contract.

Revenues from prepaid cards are recognised when voice or data traffic is made, other services are provided or the card expires and the associated prepaid credit expires. Prepaid cards are paid by customers purchasing a coupon or recharging an already purchased SIM card.

(ii) Fixed access services – voice, internet, data and television

Revenues from fixed telecommunication services include revenues from Internet connectivity, data and TV and fixed voice services. The services are offered at a flat monthly rate with the option to purchase additional services, or with variable invoicing according to the actual usage. Revenues are invoiced and paid by customers monthly. Currently, a typical contract is concluded for indefinite period with customers having the option to terminate the service at any time without penalty.

(iii) Sale of equipment

Revenues from the sale of equipment and other goods are recognised at the time of the sale, i.e. at the time the goods were handed over to the distributor or the final customer, which usually occurs when the contract is signed. Where equipment is subsidised and sold together with the service as a bundle, revenues from the subsidised equipment is recognised at the point of sale at a value determined using the stand-alone selling prices of services and products within the bundle.

Mobile devices and fixed access equipment are paid for by customers at the moment of sale or it is sold on an instalment basis with a maturity up to 60 months.

The Company identified a significant financing component for selected contracts for the sale of fixed access equipment sold on an instalment basis over 48 months considering the time between the customers' payments and the transfer of the equipment. The invoiced price for these contracts is discounted using the interest rate. This rate is commensurate with the rate that would be reflected in a separate financing transaction between the Company and the customer at contract inception.

(iv) Mobile termination

Interconnection revenues arise from calls and SMSs initiated in the networks of other domestic or foreign operators but terminated or transiting through the Company's network. These revenues are recognised in profit or loss at the time when the call or SMS is received in the Company's network. Interconnection revenues are invoiced and paid by customers on a monthly basis. The Company pays a part of the proceeds from its customers to domestic and foreign operators whose network is used for calls initiated in the Company's network and which use the networks of other domestic or foreign operators. Receivables and payables in respect of other domestic and foreign operators are regularly offset and settled.

(v) Financial services

Financial services revenues include revenues from insurance services and revenues from providing Electronic sales reporting (“EET”) solution.

Revenues from insurance include the revenues from insurance of mobile devices and travel insurance sold to the Company’s customers. The service is invoiced and paid by customers on a monthly basis, which is in line with the recognition of relevant revenues. Customers have the option to terminate this service at any time without penalty.

(vi) Other mobile revenues

Other mobile revenues include, in particular, revenues from virtual operators (MVNOs) for the use of the Company’s mobile network services and roaming revenues.

Revenues from virtual operators for usage of the Company’s mobile network and related services are recognised on a monthly basis; the price is usually set at a monthly flat rate with a variable component charged according to the actual usage of individual MVNOs. The services are invoiced to and paid by MVNOs on a monthly basis.

Roaming revenues are revenues from foreign partner operators for their customers’ usage of the Company’s mobile network. The services are invoiced and paid on a monthly basis according to the actual usage. As a rule, agreed volume discounts are calculated annually, for which estimates are created by the Company on a monthly basis. Revenues are recognised on a monthly basis.

(vii) Information and communication technology and construction contracts (ICT)

Information and communication technology (ICT) services include complex customer solutions and managed services, mainly system integration, outsourcing services, project solutions and software development. Revenue recognition of such services reflects the substance of the service provided. Generally, it relates to services which are invoiced and paid by customers on a monthly basis, for a period at least of 24 months.

Revenues from fixed price long-term service contracts are recognised using the percentage of completion method, measured by reference to the percentage of the actual cost incurred to date to the estimated total costs of the contract. A loss expected from the long-term service contract is immediately recognised as an expense, when it is probable that total contract costs will exceed total contract revenue.

(viii) Other fix revenues

Other fix revenues represent various supporting services provided along with telecommunication services. Generally, these services are invoiced and paid by customers on a monthly basis and customers have the option of cancelling these supporting services without penalty at any time.

(ix) Dividend income

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

(x) Interest income

Income is recognised as interest accrues using the effective interest method.

1.16 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability and it is deducted from equity in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

1.17 Investments in subsidiaries, joint ventures and associates

A subsidiary is an enterprise that is controlled by the Company, which means that the Company has the power to govern the financial and operating policies in order to obtain benefits from its activities.

A joint venture is a contractual arrangement whereby the Company and other parties undertake an economic activity that is subject to joint control (i.e. when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control).

In relation to its interest in a joint arrangement, the Company recognises investments in joint ventures, which are recorded at cost less an impairment charge.

An associate is an enterprise where the Company has significant influence, which is the power to participate in the financial and operating policy decisions, but not exercise control.

Equity investments in subsidiaries and associates are recorded at cost less an impairment charge.

No consolidation of subsidiaries or associates has been performed as these financial statements are presented on a stand-alone basis. In accordance with the requirements of the Act on Accounting, the Company prepares consolidated financial statements in accordance with IFRS.

1.18 Transactions under common control

Business combination under common control is a business combination in which all the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

Investments acquired in business combinations under common control are recognised in the stand-alone financial statements of the Company at acquisition price.

1.19 Changes in accounting policies

The Company early adopted amendment to IFRS 16 COVID-19 Related Rent Concessions as at 1 January 2020. Relevant accounting policies are described in Note 1.10 Leases.

No other significant changes in accounting policies were applied in 2021 and 2020.

1.20 Treasury shares

Treasury shares are presented in the balance sheet as a deduction from equity. The acquisition of treasury shares is presented in the statement of changes in equity as a reduction in equity. No gain or loss is recognised in the income statement on the sale, issuance, or cancellation of treasury shares. Any consideration received from the sale of treasury shares is presented in the financial statements as an addition to equity.

2 COVID-19 pandemic

At the beginning of 2020, a new type of coronavirus that causes an illness – referred to as COVID-19 – spread throughout the world, causing the governments of the Czech Republic and Slovak Republic to adopt a number of restrictive measures which continued during 2021.

The Company, as a provider of critical infrastructure, provided its services continuously throughout the period of ongoing restrictions.

Because of the restrictions on the movement of the population and foreign travel, there was a significant slowdown in the activity of sales channels and a shortfall in roaming revenues which continued in current year. The deteriorating macroeconomic forecasts have been reflected in the higher impairment loss of financial assets in accordance with the methodology for calculating expected credit losses in accordance with IFRS 9 (see Note 14 and Note 18).

The Company assessed indicators of possible impairment of assets in accordance with the requirements of IAS 36. The Company has not identified any significant impairment of assets including goodwill and does not record any significant subsidies or other contributions in connection with the COVID-19 pandemic. The Company regularly monitors the impact of the COVID-19 pandemic on the Company's financial risks and does not consider additional disclosures to be necessary in accordance with the requirements of IFRS 7 Financial Instruments: Disclosures.

Deteriorating economic conditions as a result of COVID-19 have also been considered with respect to deferred tax. Any impairment of assets has been reflected in calculation of temporary differences for deferred tax purposes. Future taxable profits against which temporary differences can be utilised have also been estimated with respect to the pandemic and its effects.

In 2020, the Company adopted COVID-19-Related Rent Concessions – Amendment to IFRS 16. The amendment introduces an optional practical expedient for leases in which the Company is a lessee – i.e. for leases to which the Company applies the practical expedient, the Company is not required to assess whether eligible rent concessions that are a direct consequence of the COVID-

19 coronavirus pandemic are lease modifications. Received rent concessions in consequence of COVID-19 are reported in Note 12 within variable lease payments.

The Company also continued with a number of operational measures (home-offices for employees and increased protective and hygienic measures at the workplace in particular), which were necessary to ensure the provision of all services even during the longer duration of the measures announced.

The Company considers its current financial resources to be sufficient to ensure the unrestricted continuance of its operations. The going concern assumption remains an appropriate basis for the preparation of the company's financial statements.

3 Segment information

At the Group level, reporting segments are defined based on geography. The Company's revenues and expenses fall into one segment and are further differentiated only on the basis of product services up to the level of gross margin. The Company did not identify other separate operating segments.

4 Revenues from contracts with customers

(i) Classification of revenues from customer contracts

In the table below, revenues from customer contracts are broken down according to products provided. The degree of classification of revenues from contracts with customers reflects the specific sector of the Company, the way in which the Company reports and monitors revenues for internal purposes as well as for disclosing information to investors.

In CZK million	Year ended 31 December 2021	Year ended 31 December 2020
Mobile origination:		
- Voice services and SMS & MMS	6,064	6,246
- Internet and data	7,909	7,187
Mobile termination	2,027	2,212
Revenues from sale of equipment	1,862	1,749
Financial services	133	156
Other mobile revenues	2,494	2,515
Total mobile revenues	20,489	20,065
Voice services	1,545	1,665
Data services	953	969
Internet and television	6,292	5,908
ICT	802	733
Revenues from sale of equipment	963	883
Other fixed revenues	477	538
Total fixed revenues	11,032	10,696
Total revenues	31,521	30,761

(ii) Contract assets and contract liabilities

Contract asset is the Company's right to a consideration in exchange for goods or services that the Company has already transferred to customers and which it has not yet invoiced. These include, in particular those contracts with customers where the supply of telecommunication services is supplemented by the sale of subsidised telecommunication equipment. A contract asset arises from the reallocation of revenues under a customer contract from telecommunication

services provided and recognised during the life of the contract to the revenues from the sale of such subsidised equipment, which is recognised at the time of sale.

The balance of contract assets is decreased by an allowance of CZK 4 million (2020: CZK 6 million) determined in accordance with the methodology described in Note 1.8 Financial instruments.

A contract liability is the Company's obligation to deliver goods or to provide services for which the Company has received the consideration from the customer. Contract liabilities include mostly prepaid telecommunication services by customers on prepaid cards. These revenues are recognised when the voice or data traffic takes place or when other services are provided or when the card associated with the prepaid credit expires. Contract liabilities also arise when activation fees are invoiced on conclusion of a new contract, which is not a stand-alone performance obligation and are thus accrued over the term of the contract with the customer.

The amount of CZK 337 million recognised as contract liabilities at 1 January 2021 was recognised as revenues in 2021. The amount of CZK 297 million recognised as contract liabilities at 1 January 2020 was recognised as revenues in 2020.

Receivables arising from contracts with customers represent the trade receivables described in Note 14.

The table below analyses contract assets and liabilities:

Contract assets		
In CZK million	31 December 2021	31 December 2020
- short-term (less than 1 year)	124	237
- long-term (over 1 year)	55	68
Total contract assets	179	305
Contract liabilities		
In CZK million	31 December 2021	31 December 2020
- short-term (less than 1 year)	342	383
- long-term (over 1 year)	22	25
Total contract liabilities	364	408

In 2021 and 2020, the Company did not recognise any revenues from contract liabilities which were met (or partially met) in prior periods.

The Company expects to recognise revenues of CZK 4,226 million from current contracts with customers related to performance obligations that are yet to be fulfilled (or are only partially fulfilled) as at 31 December 2021, assuming that these obligations will be fulfilled in followings years (2020: CZK 5,737 million). These contractual revenues mainly include revenues from the sale of telecommunication services, which were determined by the Company on the basis of the average monthly spend of contractual customers with commitment, the number of contractual customers with commitment as at 31 December 2021 and average remaining time of contract for these customers, while all the parameters are broken down into the main operating segments.

The expected revenues also contain revenues from other contracts with complex delivery of goods and services for which, in line with IFRS 15, the Company allocates the total transaction price to separate performance obligations on a pro-rata basis according to the individual stand-alone selling prices. These revenues are recognised based on the fulfilment of separate performance obligations and not according to invoicing of customers. The Company applied the practical expedients allowed for in the standard and the balance of contractual revenues does not include revenues from contracts which originally had an expected duration of one year or less, nor the revenues from contracts which are recognised in an amount that corresponds directly to the services provided (in line with principles described in Note 1.15 Revenues and expenses).

(iii) Incremental costs to obtain contracts

Capitalised incremental costs to obtain contracts include commissions for external and internal business channels that are directly attributable to obtaining customer contracts and are incremental. Amortisation of these costs is recognised in a separate line (Amortisation of costs to obtain contracts) in the profit or loss; the amortisation period is determined by the expected average duration of contracts separately for business customers and for consumers and separately for certain product types (ranging from 16 to 48 months).

Capitalised costs to obtain contracts

In CZK million

As at 1 January 2020	579
Capitalised costs to obtain contracts	475
Amortisation of capitalised costs to obtain contracts	(406)
As at 31 December 2020	648
Capitalised costs to obtain contracts	479
Amortisation of capitalised costs to obtain contracts	(442)
As at 31 December 2021	685

The Company regularly evaluates capitalised incremental costs to obtain contracts and assesses whether there is any indication of impairment. The assessment is based on the monitoring of two parameters – statistical evolution of clawbacks, i.e. deductions for the additional change of contracted services or contractual penalties for non-observance of the performance indicators, and simultaneously, the monitoring of calculation corrections based on the revision of the period in which the customers use the services of the Company in individual segments. Based on an assessment of these parameters, there was no impairment of the capitalised costs to obtain contracts as at 31 December 2021 and 2020.

5 Expenses

Expenses In CZK million	Year ended 31 December 2021	Year ended 31 December 2020
Cost of sales	15,926	16,119
Staff costs	3,380	3,330
External services	1,715	1,657
Other expenses	<u>402</u>	<u>383</u>
Total expenses	21,423	21,489

The cost of sales mainly includes the following types of costs: interconnection and roaming expenses, cost of goods sold, sub-deliveries, commissions and other cost of sales.

The Company does not participate in any pension plans.

6 Finance income and costs

In CZK million	Year ended 31 December 2021	Year ended 31 December 2020
Finance income		
Interest income	71	89
Gain on fair value adjustments and settlement of financial derivatives (net)	18	-
Foreign exchange gain (net)	16	-
Other finance income	<u>1,592</u>	<u>1,601</u>
Total finance income	1,697	1,690

In CZK million	Year ended 31 December 2021	Year ended 31 December 2020
Finance costs		
Interest expense	266	312
Loss on fair value adjustments and settlement of financial derivatives (net)	-	41
Foreign exchange loss (net)	-	11
Other finance costs	<u>126</u>	<u>41</u>
Total finance costs	392	405

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

Interest expense also includes interest on lease contracts, refer to Note 12.

Other finance income contains mainly dividends and other distributions from the subsidiaries (refer to Note 25).

7 Income tax

In CZK million	Year ended 31 December 2021	Year ended 31 December 2020
Total income tax expense consists of:		
Current income tax charge	1,371	1,140
Deferred income tax charge (Note 19)	(134)	(132)
Income tax	1,237	1,008

The tax on the Company's profit before tax differs in the following way from theoretical amount that would arise using the basic tax rate of the country of residence of the Company:

In CZK million	Year ended 31 December 2021	Year ended 31 December 2020
Profit before tax	7,629	6,798
Income tax charge calculated at the statutory rate of 19%	1,450	1,292
Tax effects of:		
- income not taxable	(309)	(304)
- expenses not deductible for tax purposes	109	30
Tax related to prior periods	(13)	(10)
Income tax	1,237	1,008
Effective tax rate	16%	15%

As at 31 December 2021 the total amount of current income tax liability was CZK 1,384 million (2020: CZK 1,151 million), overpayments and advances paid for corporate income tax were CZK 1,041 million (2020: CZK 730 million) and the net deferred tax liability as CZK 298 million (2020: CZK 358 million).

8 Earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the period. The weighted average number of shares takes into account the weighted average effect of changes in treasury share transactions during the year (refer to Note 24).

	31 December 2021	31 December 2020
Weighted average number of ordinary shares outstanding (thousands)	300,882	300,882
Net profit for shareholders (in CZK million)	6,392	5,790
Earnings per share (in CZK)	21	19

There is no dilution of earnings as no convertible instruments have been issued by the Company.

9 Dividends and other distributions

In CZK million	Year ended 31 December 2021	Year ended 31 December 2020
Dividends declared	5,115	5,274
Other distributions	1,204	1,241
Total declared distributions	6,319	6,515

Dividends and other distributions include a withholding tax on dividends paid by the Company to its shareholders. No interim dividend was paid in 2021. The approval of the 2020 profit and its distribution as a dividend for this financial year was agreed at the Annual General Meeting which took place per rollam (that is by letter) from 28 May to 14 June 2021. Pursuant to the decision of the Annual General Meeting, the dividend in the amount of CZK 17 per share with a nominal value of CZK 10 and in the amount of CZK 170 per share with a nominal value of CZK 100 from the 2020 profit were payable on 21 July 2021.

In 2020, dividend advances were paid in the amount of 100% of the proposed dividend, ie CZK 17 per share with a nominal value of CZK 10 and CZK 170 per share with a nominal value of CZK 100. The maturity of the dividend advance was 6 May 2020. The approval of the profit for 2019 and the decision to confirm the amount of the dividend for the purpose of settling the advance took place at the General Meeting, which decided per rollam from 11 May to 17 June 2020. As at 19 June 2020, a dividend of CZK 17 per share with a nominal value of CZK 10 and CZK 170 per share with a nominal value of CZK 100 from the 2020 profit was included in the profit share advance, so that deducted a share (CZK 17 and CZK 170, respectively) from the dividend attributable to the same share (CZK 17 and CZK 170, respectively). The result of the settlement was a zero balance, and in addition to the advances, CZK 0 per share was paid out. Dividends on treasury shares totaling CZK 160 million remained in retained earnings.

In addition to the payment of dividends, the Annual General Meeting of the Company approved distribution of part of the share premium, in total an amount of CZK 1,204 million (2020: CZK 1,241 million). For each share with a nominal value of CZK 10, the amount of CZK 4 before tax was allocated (for the share with a nominal value of CZK 100, CZK 40 before tax was allocated). The part of the share premium was payable on 21 July 2021. In 2020 the Company does not have the right to receive the amount related to the payment of the share premium for the treasury shares. This part of the share premium in the amount of CZK 38 million remained in the share premium.

Distributions per share for the years ended 31 December was as follows:

In CZK	Year ended 31 December 2021	Year ended 31 December 2020
Dividend per share (nominal value of CZK 10)	17	17
Other distributions	4	4
Total distributions per share	21	21

10 Property, plant and equipment

In CZK million	Land, buildings and constructions	Telecommunication technology and related equipment	Other fixed assets	Total
As at 31 December 2021				
Opening net book amount	212	981	641	1,834
Additions	14	213	162	389
Disposals	-	(10)	(16)	(26)
Depreciation	(77)	(289)	(282)	(648)
Impairment	-	-	(1)	(1)
Closing net book amount	149	895	504	1,548
As at 31 December 2021				
Purchase price	705	4,111	2,692	7,508
Accumulated depreciation and impairments	(556)	(3,216)	(2,188)	(5,960)
Net book amount	149	895	504	1,548
As at 31 December 2020				
Opening net book amount	279	1,209	664	2,152
Additions	20	195	235	450
Disposals	-	(18)	-	(18)
Depreciation	(87)	(405)	(256)	(748)
Impairment	-	-	(2)	(2)
Closing net book amount	212	981	641	1,834
As at 31 December 2020				
Purchase price	727	4,629	2,679	8,035
Accumulated depreciation and impairments	(515)	(3,648)	(2,038)	(6,201)
Net book amount	212	981	641	1,834

As at 31 December 2021, the net book value of tangible assets in progress was CZK 109 million (2020: CZK 87 million) and was spread over all disclosed categories of property, plant and equipment according to their characteristics.

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

11 Intangible assets

In CZK million	Goodwill	Licences	Software and other intangible assets	Valuable rights	Customer portfolios	Total
As at 31 December 2021						
Opening net book amount	4,443	5,010	3,221	2,153	17	14,844
Additions	-	621	1,030	-	-	1,651
Disposals	-	(164)	(2)	-	-	(166)
Amortisation	-	(628)	(1,190)	(120)	(11)	(1,949)
Impairment	-	-	(8)	(536)	-	(544)
Closing net book amount	4,443	4,839	3,051	1,497	6	13,836
As at 31 December 2021						
Cost	4,443	10,922	13,115	5,671	165	34,316
Accumulated amortisation and impairments	-	(6,083)	(10,064)	(4,174)	(159)	(20,480)
Net book amount	4,443	4,839	3,051	1,497	6	13,836
As at 31 December 2020						
Opening net book amount	4,443	4,270	3,767	884	46	13,410
Additions	-	1,342	670	1,693	-	3,705
Disposals	-	-	(4)	-	-	(4)
Amortisation	-	(602)	(1,199)	(424)	(29)	(2,254)
Impairment	-	-	(13)	-	-	(13)
Closing net book amount	4,443	5,010	3,221	2,153	17	14,844
As at 31 December 2020						
Cost	4,443	10,511	21,825	5,671	165	42,615
Accumulated amortisation and impairments	-	(5,501)	(18,604)	(3,518)	(148)	(27,771)
Net book amount	4,443	5,010	3,221	2,153	17	14,884

As at 31 December 2021, the net book value of intangible assets in progress was CZK 2,372 million (2020: CZK 1,721 million) and was spread over all disclosed categories of intangible assets according to their characteristic. Intangible assets in progress comprise mainly the newly acquired 5G licences.

Goodwill

As at 31 December 2021 and 2020, goodwill consisted of CZK 4,315 million resulting from the acquisition of the remaining 49% ownership interest in Eurotel Praha spol. s r.o. ("Eurotel") and CZK 128 million related to the take-over of assets as a part of the project of merger of Telefónica O2 Business Solutions spol. s r.o., a subsidiary company, into the Company in 2012.

The Company performed impairment tests, which did not result in impairment losses on goodwill in 2021 and 2020. The impairment test involves a determination of the recoverable amount of a cash-generating unit, which corresponds to the value in use. Value in use is the present value of the future cash flows expected to be derived from a cash-generating unit.

Value in use is determined on the basis of an enterprise valuation model and is assessed from the Company's internal perspective. Value in use is derived from the cash flow budgets, which are based on the medium-term business plan for a period of 5 years, adjusted for the impact of IFRS 16 Leases. The business plan has been approved by the management and it is current as at the time of the impairment test. The business plan is based on past experience as well as on future market trends. Further, the business plan is based on general economic data derived from macroeconomic and financial studies. Cash flows beyond the five-year period are extrapolated using appropriate growth rates. The growth rate does not exceed the long-term average growth rate for the business in which the cash-generating unit operates. The assumptions, on which the management has based its business plan, include estimates of future development of gross domestic product, interest rates, nominal wages, average revenue per user (ARPU), customer acquisition and retention costs, churn rates, capital expenditures, market share and growth rates.

The calculation of value in use for the cash-generating unit is most sensitive to the following key assumptions:

Estimated growth rate – the basis for the determination of the value assigned to the estimated growth rate is the forecast of the market and regulatory environment, where the Company conducts its principal business. The Company uses a growth rate of between -1% and 0% (2020: -1% and 0%).

Discount rate – the discount rate reflects the management's estimate of the risk specific to a cash-generating unit. The weighted average of cost of capital (WACC) is used as the discount rate. It is estimated using the capital asset pricing model (CAPM) and publicly available data from capital markets.

Reasonable potential changes in the key assumptions on which the recoverable amount is based would not cause the recoverable amount to fall below book value because the value in use is significantly higher than the book value. Impairment of goodwill is considered unlikely.

The Company has no other intangible assets with indefinite useful life except goodwill.

Intangible assets in progress are tested annually for impairment losses. The review performed as at 31 December 2021 and 2020 did not indicate any impairment losses.

Licences

Acquired licences represent the rights to operate cellular networks in various spectrum bands. While all the licences are technologically neutral, the Company uses the following standards for the operation of cellular networks in the Czech Republic: GSM (2G), UMTS (3G), LTE (4G) and 5G.

Details of the individual licences are described in Note 23.

Carrying value of licences according to frequency spectra:

In CZK million	31 December 2021	31 December 2020
<1 GHz	2,528	2,907
1–3 GHz	1,990	1,766
>3 GHz	<u>321</u>	<u>338</u>
Total	4,839	5,010

Valuable rights

In December 2020, the Company extended the exclusive right to use the O₂ brand license beyond the previously agreed 27 January 2022 to 31 December 2036 and at the same time acquired the right to use the O₂ brand in other regions. As at 31 December 2021, the O₂ brand is recognised within intangible assets in the net book amount of CZK 1,497 million (2020: CZK 2,153 million).

In 2021, the Company reported a loss of CZK 536 million under Impairment losses, as the Company does not currently anticipate the use of the O₂ brand beyond the current use in regions of the Czech and Slovak Republics. The Company determined the recoverable amount as value in use, wherein future expected cash flows were modelled based on the current outlook and discounted to the present value.

12 Leases

The Company mainly leases stores, office and technical buildings, telecommunication technology, vehicles and various office equipment.

Contracts for the lease of stores and office buildings are usually concluded for a period of 3 to 5 years. Contracts may contain options to extend the lease term and the amount of payments is often adjusted according to the development of the consumer price index. The lease of technical buildings and telecommunication technology is usually concluded for a period of 5 to 10 years, and the lease of vehicles for a period of 3 years. The lease of office equipment is usually short-term or the underlying asset has a low value. The Company has decided not to recognise right-of-use assets and lease liabilities arising from these leases.

The leasing contracts are negotiated on an individual basis and contain a wide range of different terms and conditions. Leased assets may not be the subject of collateral in connection with the drawing down of loans. For selected leases, the Company is limited in its conclusion of sublease contracts.

Right-of-use assets

In CZK million	Land, buildings and construction	Telecommunication technology and related equipment	Other fixed assets	Total
As at 1 January 2021				
Opening net book amount	1,670	-	91	1,761
Additions	192	177	109	478
Disposals	(8)	-	-	(8)
Depreciation	(424)	(28)	(46)	(498)
Closing net book amount	1,430	149	154	1,733
As at 1 January 2020				
Opening net book amount	2,513	21	42	2,576
Additions	179	21	94	294
Disposals	(599)	(4)	(2)	(605)
Depreciation	(423)	(38)	(43)	(504)
Closing net book amount	1,670	-	91	1,761

Lease liabilities

In CZK million	2021	2020
As at 1 January	1,909	2,626
Repayment of lease liabilities	(524)	(507)
Lease interest paid	(40)	(49)
Cash flow total	(564)	(556)
Change in lease liabilities due to additions / disposals of rights-of-use assets	510	(244)
(Profit) / loss from lease modification	(1)	3
Interest costs from lease liabilities	40	49
Other	(39)	31
Non-cash flows total	510	(161)
As at 31 December	1,855	1,909

Relevant discount rates for lease liabilities as at 31 December 2021 are in the range 1.0%–3.1% (as at 31 December 2020: 1.0%–2,6%) depending on the length of the contract and the currency in which the contract is denominated.

For a detailed description of the analysis of the currency risk and the maturity of the lease liabilities, refer to Note 18.

As at 31 December 2021 and as at 31 December 2020, the portfolio of short-term leases does not differ materially from the short-term leases accounted for during 2021 and 2020 to which the short-term lease costs disclosed below are related.

The following table shows selected amounts in the statement of total comprehensive income relating to the lease:

In CZK million	2021	2020
Interest on the lease liabilities	40	49
Costs relating to short-term leases	17	24
Profit from subleasing	-	39
Variable lease payments recognised in the income statement	-	3

The total cash outflow from leasing in 2021 was CZK 564 million (2020: CZK 556 million).

The Company estimates that the total amount of potential future cash outflows from lease contracts that have not started, residual value guarantees and lease options that are not included in the measurement of lease liabilities at 31 December 2021, is 233 million CZK (2020: CZK 257 million).

Finance lease

During 2021 and 2020, the Company has sub-leased a building that has been presented as part of right-of-use asset – property, plant and equipment. During 2020, the Company recognised a gain of CZK 39 million on derecognition of the right-of-use asset pertaining to the building and presented the gain as part of Other income from non-telecommunication services.

During 2021, the Company recognised interest income on lease receivables of CZK 2 million (2020: CZK 2 million).

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date.

In CZK million	31 December 2021	31 December 2020
Less than one year	13	13
One to five years	52	52
More than five years	40	53
Total undiscounted lease receivable	105	118
Unearned finance income	9	10
Net investment in the lease	96	108

13 Inventories

In CZK million	31 December 2021	31 December 2020
Goods	645	634
Telecommunication material	9	6
Total	654	640

The inventories stated above have been reduced by CZK 158 million (2020: CZK 152 million) as a result of the write-down to net realisable value. The value of inventories recognised as an expense for sale of goods and utilisation of material is CZK 2,240 million (2020: CZK 2,246 million).

14 Receivables and other assets

In CZK million	31 December 2021	31 December 2020
Trade receivables (net)	4,566	4,315
Other receivables (net)	3,019	2,767
Prepayments	124	176
Net investment in the lease	11	11
Financial derivatives	20	4
Total current receivables	7,740	7,273

Trade receivables and other receivables are stated net of a loss allowance of CZK 1,916 million (2020: CZK 1,982 million).

Other receivables (net) contain mainly short-term loans provided to subsidiaries (refer to Note 25).

The analysis of credit risk, the ageing structure of trade receivables and the loss allowance for trade receivables is described in Note 18.

In CZK million	31 December 2021	31 December 2020
Trade receivables	1,027	582
Other receivables	15	16
Prepayments	23	78
Net investment in the lease	85	97
Financial derivatives	447	64
Total other non-current assets	1,597	837

Trade receivables and other long-term receivables include mainly the long-term part of receivables from customers due to instalment sales of mobile and fixed equipment.

Other non-current receivables contained restricted cash of CZK 5 million (2020: CZK 5 million) resulting from the legal requirements of the Czech National Bank as a financial market regulator for the Company as a small-scale payment service provider.

Financial instruments that are subject to an enforceable master netting arrangement or similar agreement include, in particular, roaming and interconnection services. The financial instruments are as follows:

In CZK million	31 December 2021	31 December 2020
Gross amounts of trade receivables	176	209
Amounts that are set off	(150)	(186)
Net amounts of trade receivables	26	23

15 Cash and cash equivalents

In CZK million	31 December 2021	31 December 2020	Interest rate
Cash at current bank accounts and other cash equivalents	273	1,308	Floating
Cash at current bank accounts and other cash equivalents (inter-company) (refer to Note 25)	<u>2,866</u>	<u>1,325</u>	Floating
Total cash and cash equivalents	3,139	2,633	

As at 31 December 2021 and 2020, cash and cash equivalents of the Company comprised interest-bearing deposits with a maximum maturity of three months.

In 2021 and 2020, the Company had a cashpooling agreement with its subsidiary O2 Family, s.r.o. In 2021, the Company also entered into a cash pooling agreement with its subsidiary O2 IT Services s.r.o. and s O2 Financial Services s.r.o. The interest rate is based on the 1M PRIBOR (refer to Note 25).

The committed and undrawn facilities available to the Company amounted to CZK 4,150 million as at 31 December 2021 (2020: CZK 4,150 million).

16 Trade and other payables

In CZK million	31 December 2021	31 December 2020
Trade payables	3,568	3,779
Tax and social security liabilities	614	655
Employee wages and benefits	407	376
Other payables	<u>47</u>	<u>49</u>
Total current trade and other payables	4,636	4,859
In CZK million	31 December 2021	31 December 2020
Trade payables	939	819
Other payables	<u>31</u>	<u>16</u>
Other non-current liabilities	970	835

As at 31 December 2021 and 2020, other non-current liabilities consisted primarily of liabilities related to purchase of non-current assets with a maturity exceeding 12 months.

Financial instruments that are subject to an enforceable master netting arrangement or similar agreement include, in particular, roaming and interconnection services. The financial instruments are as follows:

In CZK million	31 December 2021	31 December 2020
Gross amounts of trade payables	169	199
Amounts that are set off	(150)	(186)
Net amounts of trade payables	19	13

17 Financial debts

In CZK million	31 December 2021	31 December 2020
Debt in local currency	12,808	13,048
Accrued interest	60	55
Intragroup cash pooling (refer to Note 25)	350	-
Financial derivatives	7	39
Total financial debt	13,225	13,142
Repayable:		
Within one year	1,250	64
In more than one year	11,975	13,078
Total financial debt	13,225	13,142

On 20 May 2020, the Company entered into a loan agreement to refinance a loan with a new long-term loan having a credit limit of CZK 9,240 million and with a maturity of 5 years (there was no cash flow in relation to the transaction). The interest rate of the loan is based on the reference rate PRIBOR increased by a 0.60% margin with an embedded zero-floor clause. It stipulates that the reference interest rate cannot be lower than zero.

As at 31 December 2021, the Company had used a total of CZK 5,390 million (as at 31 December 2020: CZK 5,390 million) of the available credit from the long-term facility agreement. During the year, CZK 1,000 million was drawn, which was subsequently repaid in two installments of CZK 500 million each.

On 22 January 2021 the Company drew an additional short term loan of CZK 500 million which has been repaid on 20 August 2021. Interest rate of this loan was based on the reference rate PRIBOR increased by a 0.75% margin.

On 18 April 2019, the Company successfully completed a placement of four tranches of promissory loan notes (Schuldschein), in total amount of CZK 3,978 million (EUR 160 million) with maturity of 5 to 7 years. The interest rates and maturities of each tranche are as follows:

Tranche	Currency	Amount in currency unit	Interest rate	Maturity day
Schuldschein – EUR 5Y float	EUR	94,000,000	6M EURIBOR + 1.20%	17 April 2024
Schuldschein – EUR 7Y float	EUR	26,000,000	6M EURIBOR + 1.40%	17 April 2026
Schuldschein – EUR 5Y fix	EUR	30,000,000	1.203%	17 April 2024
Schuldschein – EUR 7Y fix	EUR	10,000,000	1.595%	17 April 2026

On 4 April 2017, the Company completed a placement of six tranches of promissory loan notes (Schuldschein), in total amount of CZK 3,467 million (CZK 2,970 million and EUR 20 million) with maturity of 5 to 7 years. The interest rates and maturities of each tranche are as follows:

Tranche	Currency	Amount in currency unit	Interest rate	Maturity day
Schuldschein – CZK 5Y float	CZK	90,000,000	3M PRIBOR + 0.75%	5 April 2022
Schuldschein – CZK 7Y float	CZK	130,000,000	3M PRIBOR + 1.05%	5 April 2024
Schuldschein – EUR 5Y float	EUR	11,000,000	6M EURIBOR + 1.30%	5 April 2022
Schuldschein – EUR 7Y float	EUR	9,000,000	6M EURIBOR + 1.50%	5 April 2024
Schuldschein – CZK 5Y fix	CZK	470,000,000	1.316%	5 April 2022
Schuldschein – CZK 7Y fix	CZK	2,280,000,000	1.734%	5 April 2024

No Company's assets serve as a collateral in connection with the drawing down of current loans.

Changes in liabilities from financing activities

In CZK million	2021	2020
Short-term and long-term loans as at 1 January	13,048	14,518
Drawdown	1,850	-
Repayment	(1,500)	(1,610)
Cash flow total	350	(1,610)
Exchange rate revaluation	(249)	150
Other	9	(10)
Non-cash flow total	(240)	140
Short-term and long-term loans as at 31 December	13,158	13,048

Other non-cash movements include the change of costs directly related to the acquisition of borrowings.

18 Financial instruments and financial risk management

A) Classification of financial instruments

The following table shows the carrying amounts of classes of financial assets and liabilities split into the respective financial instruments categories:

As at 31 December 2021

In CZK million	Financial instruments at amortised cost	Financial instruments at FVTPL	Financial instruments at FVOCI	Total
Financial assets				
Trade receivables	5,593	-	-	5,593
Provided loans and other receivables (excluding prepaid expenses and indirect taxes)	3,034	-	-	3,034
Financial derivatives – interest (hedge accounting)	-	-	419	419
Financial derivatives – interest and foreign currency (held for trading)	-	48	-	48
Net investment in leasing	96	-	-	96
Cash and cash equivalents	3,139	-	-	3,139
Total	11,862	48	419	12,329
Financial liabilities				
Financial debts	13,218	-	-	13,218
Trade and other payables*	4,585	-	-	4,585
Lease liabilities	1,855	-	-	1,855
Financial derivatives – interest and foreign currency (held for trading)	-	7	-	7
Total	19,658	7	-	19,665

* The payables do not include employee liabilities and benefits, liabilities related to VAT, other taxes and social security liabilities.

As at 31 December 2020

In CZK million	Financial instruments at amortised cost	Financial instruments at FVTPL	Financial instruments at FVOCI	Total
Financial assets				
Trade receivables	4,897	-	-	4,897
Provided loans and other receivables (excluding prepaid expenses and indirect taxes)	2,783	-	-	2,783
Financial derivatives – interest (hedge accounting)	-	-	57	57
Financial derivatives – interest and foreign currency (held for trading)	-	11	-	11
Net investment in leasing	108	-	-	108
Cash and cash equivalents	2,633	-	-	2,633
Total	10,421	11	57	10,489
Financial liabilities				
Financial debts	13,104	-	-	13,104
Trade and other payables*	4,663	-	-	4,663
Lease liabilities	1,908	-	-	1,908
Financial derivatives – interest (hedge accounting)	-	-	30	30
Financial derivatives – foreign currency (held for trading)	-	9	-	9
Total	19,675	9	30	19,714

* The payables do not include employee liabilities and benefits, liabilities related to VAT, other taxes and social security liabilities.

B) Financial risk management

The Company is exposed to a variety of financial risks: market risk (including the effects of changes in market prices, exchange rates and interest rates), liquidity risk and credit risk. The Company's overall risk management strategy focuses on the minimisation of potential adverse effects on the financial performance of the Company. To hedge market exposures, the Company uses either derivative financial instruments (such as forward and swap contracts) or non-derivative instruments (such as deposit instruments).

The Company does not conduct any speculative trading activities.

Risk management is carried out by the treasury department in accordance with approved policies. The Board of Directors provides written principles for overall risk management. In accordance with these principles, there are policies 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.

(a) **Market risk**

(i) Foreign exchange risk

The Company is exposed to foreign exchange risks arising from various currency exposures, primarily with respect to items denominated in the EUR, XDR and partially to the USD:

- a) balance sheet items (such as debt, bonds, receivables, payables) denominated in foreign currency,
- b) probable/forecasted transactions or commitments (such as purchases or sales) denominated in foreign currency, and
- c) net investments in the Slovak subsidiary (functional currency differs from CZK).

The Company's objective in managing its exposure to foreign currency fluctuations is to minimise the earnings and cash flow volatility associated with foreign exchange rate changes.

The Company primarily hedges the balance sheet foreign currency exposure, mainly net payables in EUR, USD or XDR. Only plain-vanilla instruments are currently used to hedge these liabilities.

The following foreign exchange contracts were used by the Company to manage the currency risk:

In CZK million	Notional amount		Fair value	
	as at 31 December		as at 31 December	
	2021	2020	2021	2020
Exchange rate contracts	471	2,166	(7)	2

The following table demonstrates the sensitivity of profit before tax to foreign exchange rates.

In CZK million	Effect on profit before tax	
	as at 31 December 2021	as at 31 December 2020
FX risk		
Value at Risk*	(50)	(103)
Stress testing**	(8)	(7)

* The Value at Risk (VaR) Model enables the Company to estimate the probability of maximum possible loss to the portfolio value in a given time frame which will not be exceeded given the defined confidence level. To conduct a VaR calculation, the Company uses the risk variance and covariance method using the normal distribution (parametric method). The time frame used is one month with a 95% confidence level. Considering the importance of net open positions resulting from Company's financial assets and financial liabilities in individual foreign currencies, the Company models VaR for a translation and transaction EUR and USD position.

** The foreign currency stress test represents the immediate loss caused by a 5% change in the foreign exchange rate in an unfavourable direction.

The following table illustrates the comprehensive quantitative data about the Company's currency structure of financial assets and liabilities. Other currencies mainly represent Special Drawing Rights (XDR), which are used in certain transactions within international roaming.

In CZK million	31 December 2021			
	CZK	EUR	USD	Other
Financial assets				
Cash and cash equivalents	50	3,085	4	-
Trade receivables	5,064	464	47	18
Provided loans and other receivables (excluding prepayments and indirect taxes)	143	2,891	-	-
Financial derivatives – interest (hedge accounting)**	419	-	-	-
Financial derivatives - interest (trading)	48	-	-	-
Financial derivatives – foreign currency (trading)**	-	273	198	-
Net investment in leasing	96	-	-	-
Total financial assets	5,820	6,713	249	18
Financial liabilities				
Financial debts	8,762	4,456	-	-
Trade and other payables*	2,608	1,740	220	17
Lease liabilities	1,207	648	-	-
Total financial liabilities	12,577	6,844	220	17

* The payables do not include employee liabilities and benefits, liabilities from VAT, other taxes and social security liabilities.

** Foreign currency financial derivatives are disclosed in the nominal amount of the contract (translated to CZK using the exchange rate as at 31 December 2021). For interest financial derivatives, the fair value as at 31 December 2021 is disclosed.

In CZK million	31 December 2020			
	CZK	EUR	USD	Other
Financial assets				
Cash and cash equivalents	457	2,169	7	-
Trade receivables	4,232	648	6	11
Provided loans and other receivables (excluding prepayments and indirect taxes)	152	2,631	-	-
Financial derivatives – interest (hedge accounting)**	57	-	-	-
Financial derivatives - interest (trading)**	8	-	-	-
Financial derivatives – foreign currency (trading)**	-	1,995	171	-
Net investment in leasing	108	-	-	-
Total financial assets	5,014	7,443	184	11

Financial liabilities

Financial debts	8,360	4,744	-	-
Trade and other payables*	2,648	1,812	183	20
Lease liabilities	1,154	754	-	-
Financial derivatives – interest (hedge accounting)**	30	-	-	-
Total financial liabilities	12,192	7,310	183	20

* The payables do not include employee liabilities and benefits, liabilities from VAT, other taxes and social security liabilities.

** Foreign currency financial derivatives are disclosed in the nominal amount of the contract (translated to CZK using the exchange rate as at 31 December 2020). For interest financial derivatives, the fair value as at 31 December 2020 is disclosed.

(ii) Interest rate risk

The Company is exposed to interest rate risks arising from floating interest rates on financial instruments (Note 15), borrowings (Note 17) and provided loans (Note 14).

The Company's income and operating cash flows are substantially independent of changes in market interest rates. The financial assets and short-term liabilities are currently maintained on floating rates while long-term debts can be maintained on both floating and fixed rates. The Company uses interest rate swaps to manage the ratio of debts with fixed and variable interest rates (Note 18(e)).

The following table demonstrates the sensitivity of profit before tax to a change in interest rates.

In CZK million	Effect on profit before tax	
	31 December 2021	31 December 2020
Interest rate risk		
Stress testing*	21	15

* To quantify the potential impact of the interest rate risk, the Company assesses the sensitivity of interest income and expense to the parallel shift of the relevant yield curves by one percentage point upwards. The sensitivity of the relevant section of profit or loss is measured as a change in annual interest income and expense from the interest-sensitive positions as at 31 December.

(b) Liquidity risk

The Company's most important objective in liquidity risk management is to have sufficient access to financial resources to meet all its cash payment obligations as they fall due. Financial resources consist of cash and cash equivalents (including highly liquid financial instruments), and committed credit facilities arranged with banks.

The table below summarises the maturity profile of the Company's financial liabilities as at 31 December 2021 and as at 31 December 2020 based on contractual undiscounted payments. Values include projections of future interests.

As at 31 December 2021 In CZK million	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years
Interest bearing borrowings	408	1,116	12,736	-
Trade and other payables*	3,201	394	229	845
Lease liabilities	132	359	1,184	290
Total	3,741	1,869	14,149	1,135

As at 31 December 2020 In CZK million	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years
Interest bearing borrowings	41	175	12,528	946
Trade and other payables*	2,794	1,017	57	945
Lease liabilities	89	368	1,204	379
Total	2,924	1,560	13,789	2,270

* As at 31 December 2021 and 2020, the payables do not include employee liabilities and benefits, liabilities for VAT, other taxes and social security liabilities.

(c) Credit risk

(i) Trade receivables and contract assets

Credit risk concentration, with respect to trade accounts receivable, is limited due to the large number of customers. The major part of trade receivables is concentrated within the Czech Republic. Although the Company does not currently foresee higher credit risk associated with these receivables, the collectability is significantly impacted by the financial stability of the national economy.

It is the Company's policy that all customers wishing to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis in order to minimise the Company's exposure to bad debts.

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

Credit risk is managed by the Credit Management Unit and consists of three main activities:

- a) prevention: scoring of new customers – activation control procedures (integrated Black Lists, Solus Debtors Register, other external databases), limits and/or deposits applied based on the customer segments or the products. Credit limits for indirect sales partners (dealers, distributors, retailers) for the purchase of our products, collateral security (deposits, receivables insurance, bill of exchange, pledge of real estate, bank guarantee etc.).
- b) monitoring of accounts receivables: regular monitoring of the creditworthiness of existing customers and analysis of the receivables ageing structure (internal and external indicators of

any potential bad debts). Those activities are processed in an integrated system solution for scoring, maintenance and collection of trade receivables.

- c) collection process: Credit Management cooperates with Customer Care on the implementation of a reasonable, effective and continuous collection process. Collection process responsibilities are divided. The collection from active customers is in the responsibility of the Customer Care unit; collection after the contract is terminated falls within the responsibility of Credit Management.

The ageing structure of receivables is the main instrument for monitoring the development of the credit risk. However, the Company also considers the payment history, payment method, type of service and the significance of individual customers. Based on these key parameters, the Credit Management department analyses the development of the credit risk on a weekly basis.

The amount of the loss allowance is determined by the ageing structure of the receivables. The percentage of provisioning for each age category is derived from a combination of historical data for a period of up to ten years and expected future developments. Historical information is based primarily on the actual evolution of past debt repayments. Macroeconomic forecasts of the economy, the expected mix of products and a combination of service types are assessed by the management when considering future developments. The rate of loss allowance reflects the expected percentage of receivables of a particular ageing category that will not be repaid.

In the calculation of expected credit losses for receivables as at 31 December 2021, and in accordance with the requirements of IFRS 9, the Company reflected the deteriorating expectations of macroeconomic indicators and forecasts of future development as a result of restrictive measures related to the outbreak of the COVID-19 pandemic.

The Company stratified customers into several segments according to the expected impact of the COVID-19 pandemic on the given segment and subsequently modelled expected credit losses for each segment, taking into account various scenarios of future development. The Company also modelled the impact of legislative changes to mitigate the effects of the COVID-19 pandemic in respect of the assistance offered to debtors on collectability of receivables past due and adjusted accordingly the amount of recognised allowances.

The Company calculates the loss allowance for trade receivables and contract assets as the expected lifetime credit losses.

The loss allowance for contract assets is created in the same way as the loss allowance for trade receivables.

Overview of the credit risk for trade receivables and contract assets as at 31 December 2021

In CZK million	Weighted- average loss rate	Gross carrying amount	Loss allowance	Residual value	Receivables credit-impaired
Due	3%	5,758	197	5,561	No
1–30 days overdue	15%	203	31	172	No
31–90 days overdue	38%	37	14	23	No
More than 91 overdue	99%	1,645	1,629	16	Yes
Total	24%	7,643	1,871	5,772	

Overview of the credit risk for trade receivables and contract assets as at 31 December 2020

In CZK million	Weighted- average loss rate	Gross carrying amount	Loss allowance	Residual value	Receivables credit-impaired
Due	3%	5,046	146	4,900	No
1–30 days overdue	13%	280	36	244	No
31–90 days overdue	38%	47	18	29	No
More than 91 overdue	98%	1,762	1,733	29	Yes
Total	27%	7,135	1,933	5,202	

Loss allowance for trade receivables and contract assets

In CZK million

As at 1 January 2020	1,925
Additions	1,089
Write-off of receivables	(844)
Retirements/amount paid	(237)
As at 31 December 2020	1,933
Additions	845
Write-off of receivables	(658)
Retirements/amount paid	(249)
As at 31 December 2021	1,871

The company uses the following methods of hedging against the credit risk of receivables: insurance of receivables, receiving deposits from customers, bank guarantees and bills of exchange. Insurance of the receivables and deposits received from customers for goods and services provided were the most significant means of hedging in 2021 and 2020.

As at 31 December 2021 and 2020, the Company held no trade receivables or contract assets for which no loss allowance would be created due to collateral received.

(ii) Loans provided and other receivables

Other receivables include mainly loans provided to subsidiaries (refer to Note 14), receivables from the Czech Telecommunication Office in respect of discounts granted to customers with disabilities and claims for damages. These financial assets are assessed individually by the Company in accordance with the methodology described in Note 1.8 Financial instruments.

Overview of credit risk for other receivables

In CZK million	31 December 2021			
	12-month expected credit losses	Lifetime expected credit losses – not credit impaired	Lifetime expected credit losses – credit impaired	Total
Provided loans	2,950	-	-	2,950
Other receivables	86	-	47	133
Loss allowance	(3)	-	(46)	(49)
Carrying amount	3,033	-	1	3,034

Overview of credit risk for other receivables

In CZK million	31 December 2020			
	12-month expected credit losses	Lifetime expected credit losses – not credit impaired	Lifetime expected credit losses – credit impaired	Total
Provided loans	2,697	-	-	2,697
Other receivables	88	-	47	135
Loss allowance	(3)	-	(46)	(49)
Carrying amount	2,782	-	1	2,783

(iii) Cash and cash equivalents

As at 31 December 2021, the Company reported cash and cash equivalents of CZK 3,139 million (2020: CZK 2,633 million). Bank receivables are held by institutions rated A1-Baa3 by Moody's; in 2021 and 2020 none of the credit ratings of the institutions deteriorated in a way which, in the Company's view, would cause the credit risk to increase significantly.

Cash and cash equivalents were analysed for impairment in accordance with the methodology described in Note 1.8 Financial Instruments. As at 31 December 2021 and 31 December 2020, the loss allowance was evaluated as immaterial and the Company decided not to recognise it.

(d) Fair value estimation

The Company 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: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly based on data from active market.

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

As at 31 December 2021 and as at 31 December 2020, the Company held foreign currency forward and swap contracts and interest rate swaps classified as Level 2 financial instruments measured at fair value. During the reporting period ending 31 December 2021 and 31 December 2020, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

The fair values of the derivative financial instruments is calculated on the basis of the discounted cash flow model (using market rates).

The carrying amount of financial assets and financial liabilities not measured at fair value is a reasonable approximation of its fair value, since financial assets and liabilities are composed mainly of current trade receivables and payables, cash and cash equivalents and borrowings with variable interest rates. An exception are tranches of Schuldschein financing with fixed interest rates (Note 17) with a total carrying amount of CZK 3,787 million (2020: CZK 3,843 million) and fair value of CZK 3,609 million (2020: CZK 3,849 million) as at 31 December 2021.

The fair value was calculated on the basis of contractual cash flows discounted using a current yield rate. It is classified as level 3 fair value in the fair value hierarchy due to the inclusion of unobservable inputs such as the Company's own credit risk.

(e) Hedge accounting

The Company hedges cash flows arising from a long-term debt denominated in CZK with a floating interest rate in order to hedge the interest rate risk. The hedging instrument used is a combination of several interest rate swaps denominated in CZK. The hedged cash flows are the expected monthly payments from September 2017 to May 2025. The Company's objective is to maintain an appropriate mix of debts with fixed and floating interest rates in line with the risk management concept.

As at 31 December 2021, the total nominal value of hedging instruments was CZK 5,100 million (2020: CZK 5,100 million) and their fair value was in total CZK 419 million (2020: CZK 27 million). The hedge was assessed as effective at 31 December 2021 and 2020 and the net unrealised gain of CZK 390 million (2020: the net unrealised loss CZK 1 million), net of deferred tax of CZK 74 million (2020: CZK 0 million), was recognised in other comprehensive income. As at 31 December 2021, the weighted average of the fixed interest rate determined by the hedging instruments was 1.13% (2020: 1.13%).

In 2021 and 2020, the cash flow hedge was effective and no ineffectiveness was recognised in profit or loss. Interest expense includes the net interest expense from realised hedge derivatives in amount of CZK 5 million (2020: net interest income of CZK 17 million).

19 Deferred income taxes

Deferred tax was calculated at 19% for both years 2021 and 2020.

In CZK million	2021	2020
As at 1 January	(358)	(490)
Charged/(credited) to Profit or loss (Note 7)	134	132
Charged/(credited) to Other comprehensive income (Note 18(e))	(74)	-
As at 31 December	(298)	(358)

The following amounts are shown in the balance sheet after offsetting:

In CZK million	31 December 2021	31 December 2020
Deferred tax assets	270	292
Deferred tax liabilities	(568)	(650)
Total	(298)	(358)

The deferred tax comprises the following components:

In CZK million	Balance sheet		Profit or loss		Other comprehensive income	
	31 Dec 2021	31 Dec 2020	2021	2020	2021	2020
Temporary differences relating to:						
Property, plant and equipment, intangible assets and right-of-use assets	(255)	(373)	118	60	-	-
Costs to obtain contracts	(130)	(123)	(7)	(13)	-	-
Contract assets	(34)	(59)	25	31	-	-
Trade receivables, inventories and other differences	199	201	(2)	54	-	-
Financial derivatives – cash flow hedge	(78)	(4)	-	-	(74)	-
Total	(298)	(358)	134	132	(74)	-

20 Provisions for liabilities and charges

In CZK million	Regulatory and court decisions	Other provisions	Total
As at 1 January 2020	104	9	113
Additions during the year	116	-	116
Utilised during the year	(45)	(1)	(46)
As at 31 December 2020	175	8	183
Additions during the year	3	14	17
Utilised during the year	(41)	-	(41)
As at 31 December 2021	137	22	159
Short-term provisions 2020	175	8	183
Total as at 31 December 2020	175	8	183
Short-term provisions 2020	137	8	145
Long-term provisions 2020	-	14	14
Total as at 31 December 2021	137	22	159

Other provisions for which the expected timing of payments is not certain are expected to be utilised within the twelve months of the balance sheet date. The short-term part of other provisions consists mainly of the provision for restructuring costs. The long-term part of other provisions consists of a provision for an extended guarantee for fixed HW, created since 2021.

Provision for regulatory and court decisions is made in respect of legal proceedings involving the Company (refer to Note 21).

21 Contingencies and litigations

The Company is involved in several legal disputes arising from ordinary course of business. Throughout the year 2021, further successes were achieved, which confirmed long term trend of success in proceedings in which the Company is involved. Generally, major proceedings are characterized by length over 5 years and they are also affected by frequent cancelations and repeated inquiries by lower instances.

Significant legal disputes and other proceedings related to the Company are described below.

I. Office for Protection of Economic Competition ("ÚOHS") – proceedings concerning fine of CZK 49.5 million

These proceedings were originally initiated in 2003 against Eurotel. The Company was therefore not a party to the proceedings. The subject was the conclusion of an interconnection contract with Vodafone (then Český Mobil), in which the parties had agreed to connect their networks directly. Originally, the Office imposed a fine of CZK 22 million on Eurotel, but Eurotel filed

an administrative action. After several proceedings with judicial reviews in various administrative courts, the courts eventually overturned the decision. In the meantime, however, Eurotel ceased to exist, without the possibility of transferring the liability for administrative delicts.

However, in the second half of 2016, the Office suddenly completely ignored this fact and issued a "clarification of the subject of the administrative proceedings", in which it accused the Company (which had not concluded the interconnection contract) of the action, and in December 2016, it issued a decision imposing a fine of CZK 49.5 million. The company filed an appeal. Based on this appeal, the decision was cancelled in January 2019 and the case returned to the first instance for further proceedings.

In March 2021, referring to current judicature, the Office terminated this proceeding, stating that the "specification of the subject of administrative proceeding" from 2016 could not sufficiently substitute the official a proper notice which shall initiate the proceeding. The Company does not register any further decision or procedural notice in this matter so far.

II. VOLNÝ, a.s. – dispute concerning CZK 4 billion

On 28 March 2011, VOLNÝ, a.s. ("VOLNÝ") filed a legal action with the Municipal Court in Prague against the Company for an amount exceeding CZK 4 billion for an alleged abuse of a dominant position on the market of Internet broadband connection provided to households via ADSL. VOLNÝ filed the legal action to coincide directly with the opening of ÚOHS proceedings, which were closed by a decision in favour of O2 on 23 January 2019.

The amount is meant to represent the lost profit for the years 2004 to 2010. VOLNÝ claims to have had 30% share on the dial-up Internet market in 2003 and, in its legal action, it implies that it should have automatically had the same result on the broadband market, which it did not. Allegedly, it was due to the margin squeeze applied by the Company on the fix broadband market. The Company replied to the petition in July 2011, noting that both the claim and the calculations submitted by the plaintiff were unsubstantiated and pointing out discrepancies in the petition claims. The court started the proceedings in the matter and hearings took place during the year 2013, including the hearings of witnesses and experts.

During the proceedings the court appointed its own economic expert and defined a set of questions. The revision expert opinion confirmed the Company's statement. The expert opinion stated that no anti-competition practice had been proved against the Company and also pointed out absence of the Company's dominant position in the market of Internet broadband connection.

After hearing the independent expert appointed, the Municipal Court in Prague dismissed the legal action by VOLNÝ in full. The court concluded that the Company had not breached competition rules and thus could not cause any damage. The decision was delivered in June 2018. The plaintiff filed an appeal and also applied for the court fee relief. The Municipal Court in Prague and the High Court in Prague granted the plaintiff a court fee relief of 50%.

The ÚOHS decision dated 23 January 2019, which was submitted to the court, confirmed the Company's consistent position in the civil dispute and the correctness of the first instance dismissal of the legal action.

In September 2020, the High Court in Prague delivered a confirmatory judgment, which came into legal force on 26 November 2020. The High Court awarded the Company full reimbursement of the costs of the proceedings. The dispute is therefore successfully closed but the Company initiated execution against VOLNÝ. In May 2021, the Supreme Court issued an order suspending the enforceability of rulings on costs. However, the court has not yet decided on the matter of extraordinary appeal filed by VOLNÝ.

III. TELECONSULT-INTERNATIONAL, spol. s.r.o. ("TELECONSULT") – dispute concerning CZK 55 million

In 2011, the Supreme Court cancelled the previous decisions in the dispute, in which the Company had already succeeded. Although the reasons were mainly of procedural and formal character, the Municipal Court in Prague has gone through all the evidence again. The plaintiff, as a former operator of the audiotex lines claims that the Company allegedly caused damages (lost profit) between May and October 1998. At the hearing held on 14 January 2016, the court issued a decision in which the vast majority of the claim was dismissed, and the Company should receive roughly 97% of the costs of the proceedings from the plaintiff. TELECONSULT was awarded CZK 1.7 million in damages, which represents the difference between the volumes of minutes measured by both parties in May 1998. The Company filed an appeal against this part of the decision.

In its decision dated 29 March 2017, the High Court in Prague confirmed the dismissal of the legal action against the Company and also changed the original verdict regarding the amount of CZK 1.7 million. Ultimately, the Company was completely successful in this dispute. The plaintiff filed an extraordinary appeal to the Supreme Court.

On 30 September 2019, the Supreme Court cancelled the decision of the High Court in Prague for formal procedural failures and hence the case is now back in the appellate instance again. The decision of the Municipal Court in Prague remained unaffected.

In March 2021, the High Court repeated key evidence and issued verdict, where the court confirmed its previous position in the case. The action against the Company was therefore entirely dismissed again. However, in May 2021, the plaintiff filed (for the third time) an extraordinary appeal to the Supreme Court. The Supreme Court rejected the plaintiff's appeal by its decision from January 2022.

IV. European Commission – proceedings about network sharing with T-Mobile

In 2016, the European Commission initiated own-initiative proceedings concerning a 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 the Company in 2013 (as part of the 2015 spin-off, the contract

was transferred to CETIN a.s.). In the notification, the Commission initially stated that the commencement of the proceedings alone does not mean that it is convinced of any offence. The company has submitted its opinions and supporting documents to the Commission and is cooperating 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 the Company of the imposition of a fine pursuant to Article 23 of Regulation (EC) No. 1/2003 and, possibly, of the imposition of further measures (e.g. technological, financial, legal or procedural) 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.

The Company is firmly convinced that it has acted in compliance with applicable legal and regulatory rules. In addition, in the opinion of the Company, network sharing has significantly strengthened the availability and quality of mobile signal in the Czech Republic, which is currently among the top European countries in terms of mobile signal quality. Thus, no harm to competition or consumers has occurred. The Company continues to communicate with the European Commission. Within the deadline of 31 January 2020, the Company sent the European Commission a response to the statement of objections, including an analysis of the benefits of network sharing and quality of coverage in the Czech Republic.

The hearing at the European Commission took place in September 2020, where the Company had the opportunity to submit key arguments. The Company continuously communicates with the European Commission, but there hasn't been issued any decision or termination during 2021. As an attempt to terminate lengthy proceedings and thus achieve legal certainty before the upcoming deployment of 5G networks, the Company with other investigated entities, submitted a draft of the commitments to the European Commission in 2021. The European Commission conducted the public consultation on this proposal in the autumn of 2021. Therefore, the Company believes that the proposed commitments might be accepted by the European Commission and lead to the termination of the proceeding during 2022.

V. Others

The possible impact of other minor disputes is also reflected in the financial statements. However, the risks associated with these disputes are not significant.

The Company considers disclosing other information regarding the said litigations not advisable, as it could endanger the strategy of the Company in these cases.

The Company is convinced that all the litigation risks of the Group are appropriately reflected in the financial statements.

22 Commitments

Capital expenditures contracted but not yet included in the financial statements as at 31 December 2021 amounted to CZK 306 million (2020: CZK 102 million). The majority of contracted amounts relates to the maintenance and development of internal IT systems and other investment activities. The capital expenditures will be financed by both internal and external sources.

23 Service concession arrangements

The Company performs communication activities as defined in the Act on Electronic Communications based on a notification and a certificate from the Czech Telecommunications Office ("CTO") no. 516 and, as amended by later changes no. 516/1, 516/2, 516/3, 516/4, 516/5, 516/6, 516/7 a 516/8.

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

- a) public fixed communications network,
- b) public mobile communications network,
- c) public access telephone services,
- d) other voice services,
- e) leased lines,
- f) radio and TV signal broadcasting,
- g) data transmission,
- h) internet access services,
- i) other voice services – service is not defined as public access service,
- j) leased lines – service is not defined as public access service,
- k) radio and TV signal broadcasting – service is not defined as public access service,
- l) data transmission – service is not defined as public access service,
- m) internet access services – service is not defined as public access.

The Company provides electronic communications services in the 900 and 1,800 MHz frequency bands under the GSM (2G) standard using radio frequencies assigned by the CTO and valid until 22 October 2024. The Company provides services in the 2,100 MHz frequency band under the UMTS (3G) standard using radio frequencies assigned by the CTO and valid until 1 January 2022. Services are further provided in the 800, 1,800, 2,100, 2,600 and 3,600 MHz frequency bands under an LTE (4G) standard using radio frequencies assigned by the CTO and valid until 22 October 2024 for a part of the 1,800 MHz frequency band, and until 30 June 2029 for the 800 and 2,600 and the remaining part of the 1,800 MHz frequency bands and until 30 June 2032 for the 3,600 MHz frequency band. The company also provides services in the 1,800, 2,100 and 3,600 MHz under 5G (NR) standard using the same abovementioned frequencies assigned by the CTO.

The Company acquired frequencies in 700 and 3,500 MHz in November 2020 and received the licences in January 2021. In September 2021, the company returned the 450 MHz frequency licence. In December, the company successfully completed licence renewal process of 2100 MHz frequency band in accordance with the Act on Electronic Communications and received a new licence valid until 31 December 2041.

The radio frequency license can be extended by another license based on an application submitted to the CTO in accordance with the Act on Electronic Communications. On the other hand, given the current regulatory and business environment in the Czech Republic, prevailing contractual, legal, regulatory, competitive or other economic factors may limit the period for which the Company can benefit from the use of these radio frequency assignments in the future.

Imposition of obligations related to the provision of the Universal Service

During 2021, the Company provided the following selective services under CTO imposed obligations to provide Universal Service:

- a) access for persons with disability to the public telephone service, which must be equal to access enjoyed by other end users; such special access primarily takes the form of specially adapted telecommunication equipment,
- b) special price plans, which are different from the price plans used under standard commercial conditions, for persons with special social needs and persons with disabilities.

Universal Service is reimbursed by the CTO that receives funds from the state budget, which are remitted without delay to the Company's account.

24 Share capital and reserves

	31 December 2021	31 December 2020
Nominal value per ordinary registered share (in CZK)	10	10
- number of shares – fully paid-up	300,882,147	300,882,147
Nominal value per ordinary registered share (in CZK)	100	100
- number of shares – fully paid-up	1	1
Total nominal value of ordinary shares (in CZK million)	3,009	3,009

Shareholdings in the Company were as follows:

	31 December 2021	31 December 2020
PPF Telco B.V.	90.52%	67.83%
PPF A3 B.V.	0%	10.59%
PPF CYPRUS MANAGEMENT Ltd.	0%	5.16%
Other shareholders	9.48%	16.42%

Capital management

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

The Company's objectives when managing its capital are:

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

In the following periods, the Board of Directors will continue doing in-depth analyses of and assess the current and anticipated results of the Company, including scheduled and potential investments and cash flow generation and will optimise the capital structure to serve the purpose of achieving these plans.

The Company does not record any limitations on the use of sources of equity that have materially affected or substantially affected the issuer's operations, even indirectly.

Equity structure as at 31 December 2021 and 2020:

In CZK million	31 December 2021	31 December 2020
Share capital	3,009	3,009
Share premium	3,602	4,806
Funds and reserves	8	8
Cash flow hedges	337	21
Retained earnings from previous years	2,431	1,756
Net income for the current year	6,392	5,790
Total	15,779	15,390

The General Meeting which took place per rollam (by letter) from 11 May 2020 to 17 June 2020 (the first round of voting) approved the ordinary share acquisition program for the next 5 years starting from 9 December 2020. Up to 30,088,214 ordinary shares can be acquired for a maximum price of CZK 297 per share.

25 Related party transactions

Company PPF Telco B.V. is part of the PPF Group.

The PPF Group invests in various industries such as banking and financial services, telecommunications, real estate, and biotechnology. PPF's reach spans from Europe to Russia, across Asia and the USA.

Sales and purchase transactions with related parties are based on contractual agreements negotiated on normal commercial terms and conditions and at market prices. Outstanding balances of assets and liabilities are interest-free (excl. financial assets and liabilities used for financing), unsecured and the settlement occurs either in cash or by offsetting. The financial assets are tested for impairment at the balance sheet date.

The following transactions were carried out with related parties:

I. Parent company:

The total amount of dividend and other distributions paid in 2021 to shareholders from the PPF Group was CZK 5,281 million (2020: CZK 5,281 million). Payables from the dividend and other distributions to shareholders from the PPF Group were fully settled as at 31 December 2021 and 31 December 2020, respectively.

II. Company's subsidiaries:

Balance sheet	31 December 2021	31 December 2020
In CZK million		
a) Receivables and other assets	372	357
b) Short-term loans provided	2,950	2,694
c) Intragroup cash pooling	350	-
d) Trade and other payables	159	258
e) Contractual obligations	10	13
Statement of comprehensive income	Year ended	Year ended
In CZK million	31 December 2021	31 December 2020
a) Sales of services and goods	1,799	1,871
b) Purchases of services and goods	743	747
c) Dividend income (Note 6)	1,578	1,588
d) Interest income	64	73

As at 31 December 2021, the Company had provided a short-term loan of CZK 50 million (2020: CZK 50 million) to O2 TV s.r.o., CZK 2,891 million (2020: CZK 2,631 million) to O2 Slovakia, s.r.o., CZK 8 million (2020: CZK 16 million) to Emeldi Technologies, s.r.o. and CZK 1 million (2020: CZK 0 million) to Bolt Start Up Development a.s. In 2021, the loan provided to subsidiary O2 Slovakia, s.r.o. was increased by CZK 1,372 million as a result of settlement with the declared dividend (refer to Note 6) and decreased by the exchange rate difference at the date of the offsetting (2020: CZK 1,447 million) and subsequently, during the year 2021 part of the loan amounting to CZK 948 million was repaid. The loan conditions are based on the arm's length principle.

As at 31 December 2021, the allowances to intragroup loans amounted to CZK 3 million (2020: CZK 3 million). The Company did not create any other allowances towards related parties in 2021 and 2020.

In 2021, the Company acquired fixed assets from O2 IT Services s.r.o. in the amount of CZK 5 million (2020: CZK 4 million) and sold assets with a residual value of CZK 17 million to the subsidiary O2 Slovakia, s.r.o. for CZK 16 million.

As at 1 December 2020, the Company purchased part of the subsidiary eKasa s.r.o. (currently Asake HW s.r.o. v likvidaci). In accordance with the Company's accounting policy, the assets and liabilities of the acquired part were recognised in the Company's financial statements at their carrying amounts. The difference between the aggregate acquisition price determined by an expert opinion and the book value at the date of acquisition was shown directly in the Company's equity within retained earnings.

III. Associates and joint ventures

Balance sheet In CZK million	31 December 2021	31 December 2020
a) Receivables and other assets	46	49
b) Trade and other payables	28	32
Statement of comprehensive income In CZK million	Year ended 31 December 2021	Year ended 31 December 2020
a) Sales of services and goods	152	159
b) Purchases of services and goods	56	64
c) Dividend income	13	13

IV. Other related parties – PPF Group:

Balance sheet In CZK million	31 December 2021	31 December 2020
a) Receivables and other assets	282	325
b) Trade and other payables	1,184	908
c) Financial derivative instruments – assets	68	11
d) Financial derivative instruments – liabilities	6	38
e) Cash equivalents (Note 15)	2,866	1,325
f) Lease liabilities	987	946
Statement of comprehensive income In CZK million	Year ended 31 December 2021	Year ended 31 December 2020
a) Sales of services and goods	334	391
b) Purchases of services and goods	9,238	9,490
c) Loss on fair value adjustments of financial instruments (net)	(18)	(38)
d) Interest expense*	12	12
e) Interest income	1	1

* Net interest income/expense on realised hedging derivatives concluded with PPF banka a.s. is recognised within the interest expense.

In 2021, purchases of goods and services and interest expense do not include lease payments for lease contracts, for which right-of-use asset is recognised according to requirements of IFRS 16. It relates mainly to the lease of data centres and other technical and administrative buildings from company CETIN a.s. Total amount of these payments is CZK 228 million (2020: CZK 235 million).

In 2021, the Company acquired intangible assets from TV Nova s.r.o. in the amount of CZK 297 million.

CETIN a.s.

After the spin-off of the Company in 2015, new business relations were established with the company CETIN a.s. ("CETIN") through a purchase of fixed line and mobile

telecommunications services and other services. These services are provided based on concluded wholesale agreements and represent an important item of interconnection costs for the Company.

Amongst the most important relationships, there are the following wholesale agreements:

a) mobile network services agreement (so-called MNSA)

The subject of the agreement is the provision of a service of coverage by mobile CDMA, 2G, 3G and LTE signal in the Czech Republic. The agreement also contains arrangements about the development, operation and maintenance of the network, the transfer capacity of the network, new services, the extension of new services and collocation. The agreement valid from 2 June 2015 has been concluded for a period of 30 years. In 2021, the total payment was approximately CZK 4,770 million (2020: CZK 4,675 million).

The first period, for which the Company was obliged by the agreement to use the services, was for a period of seven years, that is until 31 May 2022. On 8 September 2021 both parties concluded an amendment to the MNSA agreement valid from 1 January 2022 to 31 December 2051. Through this amendment the Company has secured access to the infrastructure and functionalities of the Radio Access Network operated by the company CETIN up to 30 years from the date of signing the amendment. Furthermore, the Company has hereby established conditions for the development of a new 5G network, which was one of the commitments assumed in the auction of the 700 MHz frequencies.

For the next ten years the Company will pay a base fee of CZK 5.2 billion for the services increased annually for expected and additional special incremental projects and increases of network capacity. Two years before the end of this initial period the Company will start to negotiate new terms for the next period. The Company is also entitled at any point of the contract term to request network development, new services, or extension of services beyond the current agreement framework. These are defined as special incremental services.

The MNSA was assessed in accordance with IFRS 16 Leases to identify whether the contract is, or contains, a lease. The contract clearly stipulates the parameters of services to be provided. The underlying asset used to provide such services is implicitly defined by the contract as a mobile network as a whole. However, the Company does not have the right to obtain substantially all of the economic benefits from use of this asset with CETIN providing services through mobile network to third parties. The MNSA is a service contract and does not contain a lease.

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

The subject of the MMO agreement is the access to the public fixed communications network of CETIN a.s., the provision of the wholesale service of interconnection at the end point, and the wholesale service of access to publicly available services of electronic communications and related additional services. The agreement has been concluded for an indefinite period, during which the Company will pay monthly charges (number of access points multiplied by unit price) and undertakes to utilise at least 640,000 xDSL lines (which represents only part of the total payment) for a period of seven years after signing the agreement, that is until 31 May 2022. In 2021, the total cost was approximately CZK 3,387 million (2020: CZK 3,452 million). The MMO is a service contract and does not contain a lease as the Company has not the right to obtain

substantially all of the economic benefits from the assets used for provision of the services defined in the MMO agreement.

c) agreement on the access to end points (so-called RADO)

CETIN a.s. enables the Company to access end points, which includes the provision of transfer capacity between the end point of the electronic communications network and the transfer point located in a collocation within the area of a single region. The Company pays one-off expenses for the establishment, speed change, relay or relocation of the end point and regular monthly fees for provided sections based on transfer speed. In 2021, the total cost was approximately CZK 774 million (2020: CZK 804 million). The RADO is a service contract and does not contain a lease as the Company has not the right to obtain substantially all of the economic benefits from the assets used for provision of the services defined in the RADO agreement.

AB 4 B.V.:

In accordance with capital optimisation and risk management the Company entered on 13 July 2020 into an agreement for the issue and purchase of certificates, for which the portfolio of receivables from the instalment sale of mobile hardware serves as the underlying asset. The issue enabled the Company to immediately obtain financial resources in the amount of CZK 463 million, which otherwise would be collected from the instalment sales on an ongoing basis. The Company transferred all the benefits and risks arising from transferred receivables with a book value of CZK 470 million to the certificate holder through the issue of the certificate („economic transfer of receivables without recourse“). This fulfilled the conditions for derecognition of financial assets in accordance with IFRS 9 Financial Instruments and the Company derecognised the transferred receivables at the date of sale. Despite the transfer of risk, the Company remained the legal owner of the receivables and, in accordance with the contract, continues to manage and collect these receivables. The sale has no impact on the relationship between the Company and its customers. As at the date of sale, the Company recognised one-off cost related to the sale of receivables of CZK 10 million in Finance cost and a liability for management and collection of receivables of CZK 3 million, which the Company will accrue to revenues for the period of administration of transferred receivables.

V. Remuneration and loans to members of Board of Directors, Supervisory Board and executive management

Remuneration cost related to the Members of the Board of Directors, the Supervisory Board and executive management of the Company were as follows:

In CZK million	Year ended 31 December 2021	Year ended 31 December 2020
Payroll costs	80	72

Payroll costs represent all compensation due to the Members of the Board of Directors and executive management of the Company, including social security and health insurance, and remuneration for execution of the service of the Supervisory Board.

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

26 Subsidiaries, associates and joint ventures

Investments in subsidiaries and securities can be split in the following manner:

In CZK million	31 December 2021	31 December 2020
Subsidiaries	6,509	6,721
Associates	9	9
Investments in subsidiaries and securities in total	6,518	6,730

These financial statements are prepared on stand-alone basis and no consolidation of subsidiaries, associates and joint ventures was performed. Equity investments in subsidiaries and associates are recorded at cost less an allowance for diminution in value.

Subsidiaries	Company's interest as at 31 December		Carrying amount as at 31 December		Country of incorporation	Activity
	2021	2020	2021	2020		
1. O2 Slovakia, s.r.o.	100%	100%	6,116	6,116	Slovak Republic	Mobile services, internet and data transmission services
2. O2 Family, s.r.o.	100%	100%	45	45	Czech Republic	Mobile services, internet and data transmission services
3. O2 TV s.r.o.	100%	100%	1	1	Czech Republic	Digital television
4. O2 IT Services s.r.o.	100%	100%	244	244	Czech Republic	Information technology services
5. Bolt Start Up Development a.s.	100%	100%	85	177	Czech Republic	Startup fund
6. Asake HW s.r.o. v likvidaci (previously eKasa s.r.o.)	100%	100%	-	120	Czech Republic	Electronic sales reporting ("EET") solution provider
7. O2 Financial Services s.r.o.	100%	100%	-	-	Czech Republic	Financial Services intermediary
8. Emeldi Technologies, s.r.o.	51%	51%	18	18	Czech Republic	Software development and sales

Associates

9.	První certifikační autorita, a.s.	23%	23%	9	9	Czech Republic	Certification services
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Joint ventures

10.	Tesco Mobile ČR s.r.o.	50%	50%	-	-	Czech Republic	Mobile virtual network operator for prepaid services
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Transactions in 2021

On March 10, 2021, the subsidiary eKasa s.r.o. (currently Asake HW s.r.o. v likvidaci) decided to return the surcharge outside the share capital in the amount of CZK 120 million. As of December 31, 2021, the amount was fully paid to the Company.

In December 2021, the carrying amount of the stake in the subsidiary Bolt Start Up Development a.s. due to the recognition of a provision in the amount of CZK 92 million.

Transactions in 2020

The company AUGUSTUS, spol. s r.o. was dissolved on 5 August 2020.

27 Post balance sheet events

Delisting of shares

The General Meeting of the Company decided by per rollam voting from 3 January 2022 to 26 January 2022 on the forced transfer of all other participating securities to the main shareholder (as defined by Section 375 of the Corporations Act), PPF Telco B.V., for consideration of CZK 270 per share.

As of the date when the financial statements were authorised for issue the Company's shares were no longer traded on the Prague Stock Exchange and on RM-SYSTÉM, česká burza cenných papírů a.s. As of this date the Company is no longer a public interest entity.

Other

There were no other events which occurred after the balance sheet date and which would have a material impact on the financial statements as at 31 December 2021.

1 March 2022

Tomáš Kouřil

Chief Financial Officer
Vice-chairman of the Board of Directors

Václav Zakouřil

Director of Legal and Regulatory Affairs
Member of the Board of Directors

06

Declaration of persons responsible
for the Annual Report

Declaration of persons responsible for the Annual report

Tomáš Kouřil, Vice-chairman of the Board of Directors and Director of Finance Division of O2 Czech Republic a.s.

and

Václav Zakouřil, Member of the Board of Directors and Director of Legal and Regulatory Affairs of O2 Czech Republic a.s.

hereby declare that, to their best knowledge, the consolidated Annual Report gives a true and faithful reflection of the financial situation, business and the results of the Company and its consolidated whole for the past accounting period, and of the outlook on the future development of the financial situation, business and results.

Tomáš Kouřil
Vice-chairman of the Board of Directors
and Chief Executive Officer

Václav Zakouřil
Member of the Board of Directors
and Director of Legal and Regulatory
Affairs

In Prague on 1 March 2022

07

Independent auditor's report
to the shareholder



KPMG Česká republika Audit, s.r.o.

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Czech Republic
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www.kpmg.cz

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

Independent Auditor's Report to the Shareholder of O2 Czech Republic a.s.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of O2 Czech Republic a.s. ("the Company") and its subsidiaries (together "the Group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the consolidated balance sheet as at 31 December 2021, and the consolidated statement of total comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Group is set out in Note "General information" to these consolidated financial statements.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

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

KPMG Česká republika Audit, s.r.o., a Czech limited liability company and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

Recorded in the Commercial Register kept by the Municipal Court in Prague, Section C, Insert No. 24185

Identification No. 49619187
VAT No. CZ699001996
ID data box: 8h3gtra

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Report on the Audit of the Financial Statements



Opinion

We have audited the accompanying financial statements of O2 Czech Republic a.s. (“the Company”), prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the balance sheet as at 31 December 2021, and the statement of total comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Company is set out in Note “General information” to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the unconsolidated financial position of the Company as at 31 December 2021, and of its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

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

Responsibilities of the Statutory Body, Supervisory Board and Audit Committee for the Financial Statements

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

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

The Supervisory Board is responsible for overseeing the Company’s financial reporting process. The Audit Committee is responsible for monitoring the Company’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial

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

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

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

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



Report on Relations

We have reviewed the factual accuracy of the information disclosed in the report on relations of the Company for the year ended 31 December 2021. The responsibility for the preparation of this report rests with the Company's statutory body. Our responsibility is to express our view on the report on relations based on our review.

We concluded our review in accordance with Auditing Standard No. 56 of the Chamber of Auditors of the Czech Republic. The standard requires that we plan and perform the review to obtain limited assurance as to whether the report on the relations is free of material misstatements. A review is limited primarily to inquiries of the Company's personnel and analytical procedures and examination, on a test basis, of the factual accuracy of information, and thus provides less assurance than an audit. We have not performed an audit on the report on relations and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that would lead us to believe that the report on relations between the controlling entity and the controlled entity and between the controlled entity and entities controlled by the same controlling entity of O2 Czech Republic a.s. for the year ended 31 December 2021 contains material factual misstatements.

Statutory Auditor Responsible for the Engagement

Petr Kuna is the statutory auditor responsible for the audit of the consolidated financial statements and financial statements of O2 Czech Republic a.s. as at 31 December 2021, based on which this independent auditor's report has been prepared.

Prague
1 March 2022

Signed by

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

Signed by

Petr Kuna
Associate Partner
Registration number 2476

Appendix

Report on relations between the controlling person and the controlled person, and between the controlled person and persons controlled by the same controlling person for the accounting period of 2021

Report on relations

between the controlling person and the controlled person, and between the controlled person and persons controlled by the same controlling person for the accounting period of 2021

O2 Czech Republic a.s., with its registered seat at Prague 4 – Michle, Za Brumlovkou 266/2, Postal code 140 22, Identification No.: 60193336, registered in the Commercial Register maintained by the Municipal Court in Prague under File No. B 2322 (the “Company” or “O2 CZ”) is obliged to elaborate so-called report on relations between the controlling person and the Company, and between the Company and other persons controlled by the same controlling person for the accounting period of 2021 (1 January 2021 – 31 December 2021) pursuant to Sec 82 et seq. of the Business Corporations Act (“Report on Relations”).

As at 1 January 2021, Mr. Petr Kellner was the controlling person of the Company. As a result of his death on 28 March 2021 and pending succession proceedings, the controlling person changed during the year.

1. Controlling persons

Ing. Petr Kellner / Renáta Kellnerová, administrator of the estate (hereinafter referred to as the “Controlling Person”)

The Controlling Person controlled the Company within the meaning of Section 74 of the Business Corporations Act by disposing (indirectly) of a majority of the voting rights through companies:

- PPF Telco B.V.
- PPF A3 B.V. (until 30 June 2021)
- PPF CYPRUS MANAGEMENT LIMITED (until 8 July 2021)

The aforementioned companies, through which the Controlling Person was the controlling person of the Company, are part of the PPF Group.

2. Structure of relations between the controlling person and the Company and between the Company and persons controlled by the same controlling person

PPF Group, controlled by the Controlling Person, is an international investment group. It operates in Europe, Asia and North America. PPF Group controls sectorally diversified companies active mainly in financial services (Home Credit Group, PPF Bank, Air Bank, Mobi Bank, Clear Bank), insurance (PPF Life Insurance), biotechnology (SOTIO Biotech, SCTbio), real estate (PPF Real Estate Holding), engineering (Škoda Transportation, Temsa), agriculture (RAV Agro), media (Central European Media Enterprises), transport systems (Czechtoll), sports (Bestsport), e-commerce and online (Heureka, Mall.cz, Culture Trip) or telecommunications (CETIN Group, Telenor CEE Group and investment in O2 CZ).

PPF Group’s corporate ownership and control structure is based in the Netherlands: the Amsterdam-based PPF Group N.V. is PPF Group’s key holding company.

Within the individual business areas in which PPF Group is active (financial services, real estate, telecommunications, biotechnology, agriculture, etc.), certain sub-holding structures are generally established and special purpose entities are set up within them to address the specific matters relating to the business sector in question.

According to the information provided by PPF a.s., an overview of the entities directly or indirectly controlled by the same Controlling Person has been prepared, including additional data on their structure. The overview is presented in Annex 1 of this Report on Relations.

In relation to the Company, PPF Group does not intervene in the business management of the Company.

3. Role of the Company and O2 Czech Republic concern

ROLE OF THE COMPANY

The Company is in the position of an independent telecommunications operator providing primarily electronic communications services through fixed and mobile networks within the territory of the Czech Republic, and, through a wholly owned subsidiary, also in Slovakia, where it provides electronic communications services in mobile networks. If negotiated, the Company also provides electronic communications services to other persons within the PPF Group. With its O₂ TV service, the Company is the leading IPTV provider in the Czech market.

O2 CZECH REPUBLIC CONCERN

In 2021, the Company (as a managing person) applied concern management to the majority of its subsidiaries pursuant to the provisions of Sec 79 of the Business Corporations Act. The main reason for this is a single management to ensure long-term advancement of the concern's interests within the single O2 Czech Republic concern policy. The Company manages the concern, with varying degree of intensity, by way of coordination and general management of the concern's businesses.

As of the date of making of this Report, the following companies were members of the O2 Czech Republic concern: O2 Family, s.r.o. O2 Financial Services s.r.o., O2 IT Services s.r.o., O2 TV s.r.o., O2 Slovakia, s.r.o., O2 Business Services, a. s. (owned through O2 Slovakia, s.r.o.), Bolt Start Up Development a.s. a Asake HW s.r.o. v likvidaci.

The Company maintains an up-to-date list of companies forming the O2 Czech Republic concern on its website (http://www.o2.cz/spolecnost/376775-skupina_o2_cr_a_ostatni_ucasti/).

4. Method and means of control

The Controlling Person is granted control of the Company (within the meaning of the Business Corporations Act) by holding (at present or during the 2021 financial year) a majority of the shares, and hence a majority share in the voting rights, through the companies referred to in paragraph 1 above. Voting rights are exercised at general meetings of the Company.

In addition to this means of control, PPF Telco B.V. was entitled to exercise specific instruments against the Company arising from its status as a qualified shareholder under the Business Corporations Act. During 2021, PPF Telco B.V. acquired shares in the Company with an aggregate nominal value of at least 90% of the Company's share capital, which carry at least 90% of the voting rights in the Company. PPF Telco B.V. became the Company's principal shareholder, which allowed the Company to use other instruments associated with this status under the Business Corporations Act.

In the 2021 period, these instruments were exercised by PPF Telco B.V. in relation to the Company, when PPF Telco B.V., as the Company's principal shareholder, delivered a request to the Company's Board of Directors on 8 December 2021 to convene a general meeting, which was presented with a proposal to transfer all other participating securities to PPF Telco B.V. for resolution pursuant to Section 375 et seq. of the Business Corporations Act. By this application, PPF Telco B.V. also provided the Company with evidence that, as at the date of delivery of the application, it held shares in the Company with an aggregate nominal value of 90.516% of the share capital and voting rights in the Company.

The PPF Group (which for the purposes of this report includes the persons who controlled the entire PPF Group during 2021 as set out in Appendix 1 to this Relationship Report) does not intervene in the business management of the Company and is therefore not a controlling person in relation to the Company within the meaning of section 79 of the Business Corporations Act.

5. Overview of negotiations pursuant to Sec 82(2)(d) of the Business Corporations Act

In the 2021 accounting period, the Company did not pursue any actions on the initiative or in the interest of the controlling person or persons controlled by the same controlling person, which would result in disposal of the Company's assets exceeding 10% of the Company's share capital according to the last financial statements.

6. Overview of agreements between related parties

In the 2021 accounting period, the following agreements were in force between the Company on the one hand, and the controlling person or persons controlled by the same controlling person on the other:

Agreements with AB 4 B.V.

- Agreement on Subscription and Transfer of Certificate, *description of contractual performance*: issuance of an investment certificate based on the receivables of O2 CZ and its purchase by AB 4 B.V.

Agreements with Air Bank a.s.

- Framework agreement for the provision of telecommunications, managed services and other services, *description of contractual performance*: O2 CZ provides the contractual partner with electronic communications services, managed services and other related services under agreed terms.
- Implementation agreement on the provision of WAN network services, *description of contractual performance*: O2 CZ provides the telecommunication party with the connection and interconnection of the WAN data network under the agreed terms.
- Contract for the provision of the service Bulk SMS Connector, *description of contractual performance*: O2 CZ provides the contractual partner with the service of SMS distribution from the customer's applications to the networks of mobile and fixed operators, including foreign ones, and provides functionalities related to SMS

message processing.

- Contract for the provision of the service O2 Záznam hovorů (call recording), *description of contractual performance*: provision of services in the area of monitoring and call recording for the purposes of meeting the requirements of the MiFID Directive (Markets in Financial Instruments Directive).
- Framework agreement on the conditions for the provision of mobile electronic communications services for the operation of the service SMS Connector Business, *description of contractual performance*: the agreement sets forth the conditions for the provision of mobile services by O2 CZ for the operation of the service SMS Connector Business.
- Implementation agreement for the provision of hosting services, *description of contractual performance*: O2 CZ provides the contractual partner with hosting services, including connection and interconnection to the WAN data network.
- Agreements on cooperation in testing during pilot operation, *description of contractual performance*: cooperation between the parties in the implementation of pilot operation of the call blocking service.

Agreements with Benxy s.r.o. (until 30 November 2021, from 1 December 2021 the following agreements were assumed by Air Bank a.s.)

- Cooperation agreement, *description of contractual performance*: provision of information by O2 CZ to Benxy s.r.o. on the basis of the customer's consent in connection with the assessment of the customer's creditworthiness and solvency in the course of the processing of a loan application by Benxy s.r.o.
- Framework agreement on the terms and conditions of provision of selected electronic communications services provided via fixed network, *description of contractual performance*: O2 CZ provides electronic communication services over a fixed network at negotiated terms to the other party.
- Contract for the provision of the DIGITY UCS call centre communication system, *description of contractual performance*: provision of call centre services.
- Contract for processing of personal data,

description of contractual performance: terms and conditions of processing of personal and other data between the contracting parties according to the Personal Data Protection Act.

- Contracts for the services IP Connect, Internet Hosting, O2 Data Centre, O2 Cloud, *description of contractual performance:* technical specifications of services provided by O2 CZ.
- Contracts for the provision of electronic communications services, *description of contractual performance:* provision of VoIP Connect services by O2 CZ.
- Contract for the provision of software sublicense and related services, *description of contractual performance:* provision of sublicense, including related services, by O2 CZ.
- Contract for temporary provision of terminal equipment and related services, *description of contractual performance:* temporary provision of equipment, including related services, by O2 CZ.

Agreements with Bestsport, a.s.

- Agreement on the use of the arena name and on further cooperation, *description of contractual performance:* provision of the exclusive and exclusive right to name the O₂ arena and O₂ universum, lease of non-residential premises in the O₂ arena and O₂ universum, provision of advertising and other services.
- Agreement to provide documentation, information protection and prevent its misuse, *description of contractual performance:* terms and conditions under which documentation is provided to O2 CZ, including an undertaking to protect protected information in this documentation.
- Lease agreement, *description of contractual performance:* lease of advertising space from Bestsport, a.s.
- Delivery and service agreement, *description of contractual performance:* delivery of goods (hardware) including delivery of software licenses, implementation and provision of technical and service support for a wireless communication project.
- Delivery and service agreement, *description of contractual performance:* delivery of goods (hardware) including delivery of software licenses, implementation and provision of technical and service support for a local computer

network project.

- Contract for the provision of the Internet Business/IOL Ethernet service, *description of contractual performance:* the subject of the contract is the supply of internet connection connectivity.

Agreements with CETIN a.s.

- Mobile Network Services Agreement, *description of contractual performance:* mobile network services agreement for CETIN to grant to O2 CZ access to Radio Access Network and the functionality of this mobile network, and the undertaking of CETIN to operate and maintain the 2G, 3G, LTE and CDMA networks, consolidate 2G and 3G networks and roll out the LTE network.
- Termination point access agreement, *description of contractual performance:* data services according to the new reference offer with termination in regional capitals.
- Agreement on access to the public fixed telecommunications network; *description of contractual performance:* agreement based on a reference offer, for access to the network in the terminal point, access to the public telephone services and fixed broadband access in the network of CETIN.
- Data processing agreements; *description of contractual performance:* processing of personal information in connection with the performance under selected agreements with CETIN.
- Agreement on the interconnection of the fixed communications network of CETIN and the public mobile communications network of O2 CZ, *description of contractual performance:* provision of electronic communication services and activities to subscribers connected to third party networks and other users, interconnection and maintenance of interconnected infrastructure of the partners' public telecommunications networks.
- Service Agreement (EU+, TGR representation) Wholesale Roaming Services; *description of contractual performance:* entering into discount agreements with roaming partners on behalf of O2 CZ.
- Agreement on the provision of services of data centres, *description of contractual performance:* data centre capacity leases in CETIN data centres and the supply of additional services related to

the housing and operation of the technology of O2 CZ and its customers.

- Co-location agreements for specific locations, *description of contractual performance*: granting of co-location space and services of physical co-location in specific locations.
- Agreement on the provision of Carrier-type services, *description of contractual performance*: wholesale Carrier data services.
- Agreement on the provision of billing for wholesale services, *description of contractual performance*: billing for wholesale services of O2 CZ.
- Lease and sub-lease agreements; *description of contractual performance*: lease or sub-lease of office, warehouse and other space, as well as movable things.
- Agreement on termination of international voice traffic, *description of contractual performance*: transit of international voice traffic originated in the mobile and fixed access network of O2 CZ, including traffic originated in the network of O2 Slovakia.
- Lease agreement for optical fibres, *description of contractual performance*: lease of optical fibres.
- Agreement on the provision of technology housing services, *description of contractual performance*: procurement of space to house technology for exercise of the business of O2 CZ in specific locations, and services directly related thereto.
- Master Services Agreement on Signalling and GRX/IPX, *description of contractual performance*: CETIN provides SCCP and diameter signalling, GRX/S8 payload mobile data exchange.
- Framework agreement on the terms and conditions of service of mobile electronic communications, *description of contractual performance*: O2 CZ supplies to the contractual partner, and other entities, electronic communication services in mobile telecommunications networks and supplies mobile handsets and accessories under contracted terms and conditions.
- Address space agreement, *description of contractual performance*: mutual provision for the use of address space (IP address space).
- Agreement on the provision of archiving services, principles of a possible separation of the archive and related cooperation, *description of contractual performance*: archiving and retrieving of archive documents belonging to CETIN which are stored in the O2 Czech Republic central archive according to the separation project or relating to the common corporate history of both companies.
- Agreement on the provision of security services, *description of contractual performance*: provision of security services by CETIN.
- Service migration agreement, *description of contractual performance*: migration of selected services from the existing technology to a new technical solution.
- Confidentiality and non-disclosure agreements, *description of contractual performance*: non-disclosure of information learned in the process of commercial negotiations between the parties.
- Agreement on the use of a test site – SELFLAB, *description of contractual performance*: use of a CETIN test site.
- Science Data Science Centre Professional Services Agreement, *description of contractual performance*: providing professional services to implement and develop procedures and algorithms for processing and aggregation of large amounts of data.
- Agreement on the provision of DWDM capacity, *description of contractual performance*: provision of DWDM service.
- Contract for the provision of ancillary technical services for the purpose of statutory cooperation with authorized bodies, *description of contractual performance*: ancillary technical services for the implementation of statutory cooperation with authorized bodies.
- Letter of Intent, *description of contractual performance*: confirmation of interest in the provision of digital television platform services and related rights and obligations of the contracting parties.
- Framework contract for the supply of stands and equipment, *description of contractual performance*: supply of stands and equipment, including accessories, possibly including installation.
- Contract for the provision of advertising space, *description of contractual performance*: an offer to the Company's contractual partners to populate specific space of the Company with advertising messages from contractual partners.
- License transfer agreement, *description of contractual performance*: O2 CZ transfers to CETIN a.s. the license to use the special functions of the Utimaco LIMS system on network elements.

Agreements with CzechToll s.r.o.

- Framework agreement on the terms and conditions for the provision of mobile electronic communications services, *description of contractual performance*: provision of electronic communications services and supply of goods.

Agreements with Home Credit a.s.

- Agreement on cooperation in financing purchases of merchandise from O2 CZ, *description of contractual performance*: the agreement regulates the provision of interest-free loans to natural persons who have a contract with O2 CZ for the provision of services of electronic communications, for the purchase of mobile hardware from O2 CZ or its franchisees, as well as the cooperation in offering and providing such loan products.
- Cooperation agreements, *description of contractual performance* provision of information by O2 CZ to Home Credit a.s. subject to the customer's consent and in connection with the analysis of the creditworthiness of applicants for Home Credit a.s. loans.
- Framework agreement on the provision of advertising space and other cooperation, *description of contractual performance*: provision of advertising space by O2 to Home Credit a.s.
- Confidentiality and non-disclosure agreement, *description of contractual performance*: maintaining confidentiality of information in connection with the business dealings of the parties.

Agreements with Home Credit International a.s.

- Agreement on the provision of public electronic communication services, *description of contractual performance*: the Company provides to the contractual partner, voice and data services under contracted terms and conditions.
- Agreement on Provision of Selected Fixed Network Services, *description of contractual performance*: provision of an international WAN network to connect domestic and foreign branches (DC + HQ) worldwide into one MPLS network.
- Purchase contract, *description of performance*: sale of HDM licenses and maintenance to Home Credit International a.s.
- Contract for the provision of the service Internet

Business/IOL Ethernet, *description of contractual performance*: delivery of the service IOL Ethernet and delivery of the complementary service SLA2 to Home Credit International a.s.

- Contract for the provision of the service Internet Business/IOL Ethernet, *description of contractual performance*: higher IOL Ethernet speed and delivery of the complementary service SLA2 to Home Credit International a.s.
- Provision of Licence Agreement, *description of contractual performance*: a license and technical support for IP Fabric software by O2 CZ.
- Sublease agreement, *description of contractual performance*: sublease of commercial premises in the Varenská Office Center building in Brno by Home Credit International a.s. to O2 CZ.

Agreements with PPF a.s.

- Framework agreement on the conditions for the provision of mobile electronic communications services, *description of contractual performance*: O2 CZ provides, to the contractual partner and other entities from the PPF Group, mobile services of electronic communications, and delivers mobile phones and accessories under negotiated conditions.
- Agreement on the conditions for the provision of selected electronic communications services provided through a fixed network, *description of contractual performance*: O2 CZ provides electronic communications services through a fixed network to the contractual partner and other companies from the PPF Group under negotiated conditions.
- Contract for the provision of a voice solution, *description of contractual performance*: O2 CZ provides, to the contractual partners and other entities, services of electronic communications through fixed networks under negotiated conditions.
- O2 Mobile Device Management Service Agreement, *description of contractual performance*: O2 CZ provides the O₂ Mobile Device Management service to the contractual partner.
- Agreements for Ethernet, IP Connect, O2 AntiDDos services, O2 Data Centre, *description of contractual performance*: technical specifications of services provided by the Company.

- Agreement to interconnect exchanges, *description of contractual performance*: interconnection of exchanges.
- Non-Disclosure Agreement, *description of contractual performance*: rules for the protection and confidentiality of certain information in connection with business negotiations between the parties.
- Cost re-invoicing, *description of contractual performance*: recovery of costs associated with the "30 Years of PPF" party.
- Adherence Agreement, *description of contractual performance*: O2 CZ's accession to the terms and conditions of the Enterprise Agreement and Server and Cloud Agreement (SCE) concluded between Microsoft Ireland Operations Limited and PPF a.s.

Agreements with PPF banka a.s.

- Framework agreement on payment and bank services, *description of contractual performance*: the agreement sets up a credit limit and opens bank accounts in CZK, EUR and USD for O2 CZ.
- Framework agreement on trading on the financial market, *description of contractual performance*: trading transactions to hedge against financial risks.
- Subscriber agreement on the provision of publicly available services of electronic communications, *description of contractual performance*: provision of services of electronic communications.
- Agreement on the provision of cloud, housing and related services, *description of contractual performance*: provision of cloud, housing and related services to the other contractual partner.
- Agreement on the provision of Aculla SIPREC SRS recording system, *description of the supply under contract*: the agreement regulates the terms of the provision of the recording system to the other party and the terms of its use for the purposes of meeting the MiFID (Markets in Financial Instruments Directive) requirements.
- SIPREC Mobile Service Agreement, *description of contractual performance*: provision of call monitoring and recording services for the purposes of meeting MiFID (Markets in Financial Instruments Directive) requirements.
- Contract for the provision of the service Bulk SMS Connector, *description of contractual performance*: bulk distribution of SMS from

applications and provision of development capacities for application development according to the requirements of PPF banka a.s.

Agreements with SCTbio a.s. (formerly SOTIO a.s.)

- Contracts for the provision of O2 datacentre services, *description of contractual performance*: O2 CZ provides O₂ datacentre services to SCTbio a.s.
- Contract for the provision of professional services by the Data Science Centre, *description of contractual performance*: provision of professional services for the implementation and development of procedures and algorithms for the processing of large amounts of data and their aggregation.

Agreements with SOTIO Biotech a.s.

- Contract for the provision of professional services by the Data Science Centre, *description of contractual performance*: provision of professional services for the implementation and development of procedures and algorithms for the processing of large amounts of data and their aggregation.

Agreements with STEL-INVEST s.r.o. (until 30 January 2021, from 1 February 2021 the following agreements were assumed by CETIN a.s.)

- Framework agreement on the terms and conditions of provision of mobile electronic communications services, *description of contractual performance*: O2 CZ provides the contractual partner with electronic communications services via the mobile network under the agreed terms and conditions.
- Work contract, *description of contractual performance*: STEL-INVEST undertakes to carry out work for O2 CZ consisting of electrical installation to connect brand stores to the distribution network.

Agreements with Telenor Bulgaria EAD

- International Roaming Agreement, *description of contractual performance*: mutual provision of wholesale roaming services.
- Agreement on Provision of Data Science Centre Services, *description of contractual performance*: O2 CZ supplies predictive models, data analysis and relevant consulting to Telenor Bulgaria EAD.

Agreements with Telenor d.o.o. Beograd

- International Roaming Agreement, *description of contractual performance*: mutual provision of wholesale roaming services.
- Agreement on Provision of Consultancy Services, *description of contractual performance*: provision of consulting services by O2 CZ regarding the TV platform.
- Agreement on Provision of Data Science Centre Services, *description of contractual performance*: O2 CZ supplies predictive models, data analysis and relevant consulting services to Telenor d.o.o. Beograd.

Agreements with Telenor d.o.o. Podgorica

- International Roaming Agreement, *description of contractual performance*: mutual provision of wholesale roaming services.

Agreements with Telenor Magyarország Zrt.

- International Roaming Agreement, *description of contractual performance*: mutual provision of wholesale roaming services.
- Agreement on Provision of Consultancy Services, *description of contractual performance*: provision of consulting services by O2 CZ regarding the TV platform.

Agreements with TV Nova s.r.o.

- Distribution agreement, *description of contractual performance*: linear broadcasting in SD and HD quality.
- ADS distribution agreement, *description of contractual performance*: broadcasting of Ancillary Digital Services.
- Term Sheet – Premier Sport 2 Sublicense and Nova Sport 3 and 4 Channel Retransmission, *description of contractual performance*: O2 CZ has acquired the exclusive rights to broadcast the Champions League on TV channel Premier Sport 2 for the seasons 2021 to 2024 and the transmission rights to sports channels Nova Sport 3 and Nova Sport 4 for the seasons 2021 to 2024.
- Contracts for the rental of transmission equipment, *description of contractual performance*: short-term rental of transmission equipment.
- Cooperation agreements, *description of*

contractual performance: implementation of advertising campaigns of the contracting parties.

- Contract for the provision of electronic communications services, *description of contractual performance*: provision of VoIP Connect service by O2 CZ.
- Framework agreement for the provision of selected electronic communications services via fixed network, *description of contractual performance*: O2 CZ provides with electronic communications services via fixed network under agreed terms and conditions to the contractual partner.
- Contracts for Ethernet, O2 Cloud, O2 SMS Agent, O2 AntiDDos, O2 Data Centre and Internet connectivity services, *description of contractual performance*: technical specifications of services provided by O2 CZ.
- Data network contract (2022–2024) *description of contractual performance*: provision of data network services by O2 CZ.

AGREEMENTS WITH SUBSIDIARIES IN THE O2 CZECH REPUBLIC CONCERN

Agreements with Asake HW s.r.o. v likvidaci (formerly eKasa s.r.o.)

- Contract for the provision of support services, *description of contractual performance*: delivery of support services by O2 CZ.

Agreements with Bolt Start Up Development a.s.

- Service agreements, *description of contractual performance*: providing support services to Bolt Start Up Development a.s.
- Framework loan agreement, *description of contractual performance*: terms and conditions for the provision of loans to Bolt Start Up Development a.s.
- Agreement on the use of the Esperia e-commerce site, *description of contractual performance*: temporary use and leasehold of the Esperia e-commerce site by O2 CZ.
- Data processing agreements, *description of contractual performance*: agreement laying down the terms and conditions of processing of personal and other data by the parties under the Personal Data Protection Act.
- Framework agreement, *description of contractual performance*: framework terms related to the

transfer of a stake in Tapito s.r.o., company ID no.: 03853365. entered into between Bolt Start Up Development a.s. as the seller, Livesport Invest s.r.o. and O2 CZ.

- Agreement on compensation for the use of the O2 Auto application, *description of contractual performance*: conditions for payment of remuneration for professional and personnel services for the O₂ Auto project.

Agreements with O2 Family, s.r.o.

- Agreement on the access to a public mobile electronic communication network, *description of contractual performance*: O2 CZ provides to O2 Family, s.r.o., the access to a public mobile electronic communication network for the purpose of providing public electronic communications services by the company to its subscribers.
- Credit Facility Agreement, *description of contractual performance*: agreement to provide a credit facility to O2 Family, s.r.o.
- Subscriber agreement for the provision of public electronic communications services and a framework agreement on the terms and conditions of the provision of public electronic communications services, *description of contractual performance*: O2 CZ provides, to the contractual partner, electronic communications services in mobile networks, provides mobile hardware and accessories and other products.
- Data processing agreements, *description of contractual performance*: agreement laying down the terms and conditions of processing of personal and other data by the parties under the Personal Data Protection Act.
- Deposit Agreement, *description of contractual performance*: cash pooling rules and related terms and conditions.
- Agreement on cooperation in the broadcasting of O2 Info, *description of contractual performance*: cooperation between the contractual partners in the broadcasting of O₂ Info which is a support service of O₂ TV.
- Sublease contract, *description of contractual performance*: the subject of the contract is the obligation of O2 CZ to lease to O2 Family, s.r.o. office space and parking bays at Za Brumlovkou 266/2.
- Framework contract on cooperation in the supply

of O2 prepaid services, *description of contractual performance*: cooperation between the parties in the sale and brokerage of the sale of O2 prepaid services.

Agreements with O2 Financial Services s.r.o.

- Articles of incorporation of a company without legal personality (association) between O2 Czech Republic a.s. and O2 Financial Services s.r.o., *description of contractual performance*: the purpose of the association is in particular to cooperate in the creation, development and sale of specialized services in the financial area.
- Agreement on the provision of specialized financial services, *description of contractual performance*: O2 Financial Services s.r.o. provides specialized financial services to O2 CZ.
- Service agreement, *description of contractual performance*: provision of support services to O2 Financial Services s.r.o.
- Data processing agreements, *description of contractual performance*: agreement laying down the terms and conditions of processing of personal and other data by the parties under the Personal Data Protection Act.
- Deposit Agreement, *description of contractual performance*: cash-pooling between the subsidiary and O2 CZ.

Agreements with O2 IT Services s.r.o.

- Agreement on the provision of information technology services, *description of contractual performance*: O2 CZ procured services of IT operations, IT infrastructure support and application support.
- Agreement on the provision of ICT operations; *description of contractual performance*: the implementation of a public contract "Provision of ICT operations 2017+" for the contracting authority – Czech Republic – Ministry of Agriculture.
- Contracts on future contracts, *description of contractual performance*: O2 IT Services s.r.o. undertakes to act as subcontractor for selected public contracts of O2 CZ.
- Sub-lease agreements, *description of contractual performance*: sub-lease of commercial space from O2 CZ.
- Non-disclosure and confidentiality agreements, *description of contractual performance*: rules

of non-disclosure and confidentiality of some information in relation to business negotiations between the contractual parties.

- Agreement on the provision of support services, *description of contractual performance*: provision of support services to O2 IT Services s.r.o.
- Data processing agreements, *description of contractual performance*: terms and conditions for the processing of personal and other information between the parties according to Personal Data Protection Act.
- Framework loan agreement, *description of contractual performance*: terms and conditions for loans provided to O2 IT Services s.r.o.
- Sub-supply agreement for the Emergency Number Call Centre, *description of contractual performance*: sub-supply of O2 CZ services to O2 IT Services s.r.o. in order to perform under the contract to operate the Emergency Number Call Centre with the Ministry of Interior of the Czech Republic.
- Framework agreement on the provision of wholesale data services, *description of contractual performance*: a mechanism and the terms and conditions for the provision of wholesale data services for O2 IT Services s.r.o. for resale to the customers of O2 IT Services s.r.o.
- Agreement for the access to a public mobile communication network, *description of contractual performance*: O2 CZ provides to O2 IT Services s.r.o. the access to the public mobile electronic communication network.
- Trade Mark Sub-Licence Agreement, *description of contractual performance*: agreement to grant a sub-licence for the use of the O₂ brand in connection with the commercial operations of O2 IT Services s.r.o. in the Czech Republic.
- Framework agreement on terms and conditions of the supply of electronic communications services, *description of contractual performance*: O2 CZ provides to the contractual partner the services of electronic communications for machine-to-machine (M2M) communication.
- Framework agreement on terms and conditions of the supply of electronic communications services, *description of contractual performance*: O2 CZ provides electronic communications services in mobile networks.
- Agreements on provision of IP Connect, Hosting or cloud services, *description of contractual performance*: technical specifications of services

provided to O2 IT Services s.r.o.

- C-Roads Czech Republic Consortium Agreement and the related agreement on grant provided by the Innovation and Networks Executive Agency (INEA) (the consortium consists of several companies and entities, including O2 Czech Republic and INTENS Corporation s.r.o. as beneficiaries, and O2 IT Services s.r.o. as the so-called affiliated entity O2 Czech Republic a.s.); *description of contractual performance*: the agreement sets forth the internal rules and operation of a consortium for the purpose of the C-Roads project, which aims to test C-ITS technology (cooperative intelligent transport systems) in practical scenarios.
- Agreement on the amount of remuneration for the assignment of usage rights, *description of contractual performance*: determination of the remuneration for the assignment of license rights.
- Assignment agreement, *description of contractual performance*: transfer of licenses, including maintenance, provided by Oracle Czech s.r.o. O2 CZ (assignor) to O2 IT Services s.r.o. (successor).
- Deposit Agreement, *description of contractual performance*: cash-pooling between the subsidiary and O2 CZ.

Agreements with O2 Slovakia, s.r.o.

- Trade Mark Sub-Licence Agreement, *description of contractual performance*: provision of a sub-licence to use the O₂ brand in commercial activities of O2 Slovakia, s.r.o. in the Slovak Republic.
- Framework agreement on cooperation in functional areas, *description of contractual performance*: provision of support services to O2 Slovakia, s.r.o.
- Revolving Credit Facility Agreement, *description of contractual performance*: agreement to provide a revolving credit facility to O2 Slovakia, s.r.o.
- Deposit Agreement, *description of contractual performance*: a cash-pooling arrangement and the related terms and conditions.
- Bilateral International Roaming Agreement, *description of contractual performance*: mutual provision of wholesale roaming services.
- Framework agreement on terms and conditions

of supply of mobile electronic communications services, *description of contractual performance*: provision of mobile electronic communications services to O2 Slovakia, s.r.o.

- iPhone Contract of Adherence to the iPhone Agreement between Apple and O2 Czech Republic (between Apple Distribution International, O2 CZ and O2 Slovakia s.r.o.), *description of contractual performance*: accession of O2 Slovakia, s.r.o., to the agreement between O2 CZ and Apple Distribution International for the purchase of hardware and the supply of related services.
- Agreement on O&M Fees for the period from 2016 to 2022 between O2 CZ and O2 Slovakia, s.r.o. (as customers) on the one hand, and Huawei Technologies (Czech) s.r.o. a Huawei Technologies (Slovak), s.r.o. (as vendors) on the other, *description of contractual performance*: some additional conditions governing the provision of Operation and Maintenance Support Services.
- Framework agreement for the provision of telecommunication equipment, *description of contractual performance*: provision of telecommunication equipment to O2 CZ.
- Cooperation agreement for the provision of digital television, *description of contractual performance*: O2 CZ gives support in the process of broadcasting and making selected programming content available to paying users within the territory of the Slovak Republic.
- Agreement on the amount of consideration for the assignment of usage rights, *description of the performance*: determination of the amount of consideration for the assignment of license rights.
- Agreement on netting of mutual receivables, *description of contractual performance*: offsetting of mutual claims of the parties.
- Deed of Guarantee, *description of contractual performance*: a deed of guarantee in which O2 CZ provides a guarantee for obligations of O2 Slovakia, s.r.o. under a contract concluded with a supplier of goods.
- Data processing agreements, *description of contractual performance*: agreement laying down the terms and conditions of processing of personal and other data by the parties under the Personal Data Protection Act.
- Agreement on netting of mutual receivables, *description of contractual performance*: offsetting of mutual claims of the parties.
- Agreement on cooperation in the provision of the O2 Smart Box service, *description of contractual performance*: the subject of the agreement is the provision of technological services and support for the provision of O₂ Smart Box by O2 CZ.
- Contract for the provision of professional services by Data Science Center, *description of contractual performance*: provision of professional services for the implementation and development of procedures and algorithms for data processing, consulting, consulting and licensing by O2 CZ.
- Contract for the provision of a wholesale service for Machine-to-Machine (M2M) communication, *description of contractual performance*: O2 CZ provides electronic communication services (M2M) for the purpose of remote electric meter readings.
- Contract for the provision of wholesale services for machine-to-machine (M2M) communication II., *description of contractual performance*: O2 CZ provides electronic communications services (M2M) for the purposes of devices not primarily intended for voice / data communication.
- Agreement on Provision of Consultancy Services, *description of contractual performance*: O2 CZ provides business support to O2 Slovakia s.r.o. in negotiations with suppliers of linear and VOD content.
- Agreement on Settlement, *description of contractual performance*: obligation of O2 CZ to pay the amount of a disputed claim to O2 Slovakia, s.r.o.
- Licence assignment and purchase agreement, *description of contractual performance*: O2 CZ assigned the licence (IMS Active User Licence) to O2 Slovakia, s.r.o. and transferred the ownership rights to the movable assets forming part of the IMS system.
- License assignment agreement, *description of contractual performance*: authorization for O2 SK to use one CROSS multilicense.
- Contract for the supply and implementation of software solutions, *description of contractual performance*: O2 CZ will supply O2 Slovakia, s.r.o. with the work for a software solution including the Kedro and URM software and related licences.

Agreements with O2 TV s.r.o.

- Agreements on the provision of support services, *description of contractual performance*: provision of support services by O2 CZ to O2 TV s.r.o.
- Framework agreement on the terms and conditions of the provision of mobile electronic communications services, *description of contractual performance*: the supply of mobile electronic communications services and the provision of mobile hardware and accessories and other products.
- Agreement to transfer subscribership to data services, *description of contractual performance*: installation and provision of data services for O2 TV s.r.o.
- Framework loan agreement, *description of contractual performance*: the terms and rules for the provision of loans to O2 TV s.r.o.
- Data processing agreements, *description of contractual performance*: terms and conditions for the processing of personal and other information between the parties according to Personal Data Protection Act.
- Agreement on cooperation, *description of contractual performance*: conditions for the provision of services related to the production of television programs.
- Framework agreement on the method of settlement of certain mutual receivables by assigning and offsetting, *description of contractual performance*: procedure and method of settling mutual obligations O2 CZ, O2 TV s.r.o. and MÉDEA a.s.
- Agreement to include of TV content in the O2 TV service for the period from 1 January 2021 to 30 June 2021, *description of contractual performance*: O2 TV s.r.o. provides an exclusive licence to O2 CZ to broadcast television content in the Czech Republic and the Slovak Republic within the O₂ TV service; as well as cooperation in the area of media and marketing support for the O₂ TV service and the use of media space on the television programmes in question.
- Contract for the inclusion of TV content in the O2 TV service for the period from 1 July 2021 to 31 December 2021, *description of contractual performance*: O2 TV s.r.o. grants an exclusive licence to O2 CZ to broadcast television content on the territory of the Czech Republic and the Slovak Republic as part of the O₂ TV service; as

well as cooperation in the field of media and marketing support for the O₂ TV service and the use of media space on the television programmes in question.

- Sublicensing agreement, *description of contractual performance*: reduction of monthly fees for O2 CZ for the period 11/2020–06/2021 for the territory of the Czech Republic and Slovakia in connection with the broadcasting rights to the UEFA Champions League.
- Sublicensing agreement, *description of contractual performance*: O2 CZ grants O2 TV s.r.o. a sub-license for the broadcasting rights to the UEFA Champions League (seasons 2021/22, 2022/23, 2023/24) in the Czech Republic and Slovakia.

AGREEMENTS BETWEEN O2 CZECH REPUBLIC AND OTHER SUBSIDIARIES OUTSIDE THE O2 CZECH REPUBLIC CONCERN

Agreements with INTENS Corporation s.r.o.

- Non-disclosure agreement, *description of contractual performance*: the reciprocal non-disclosure of trade secrets.
- Agreement on consultancy services, *description of contractual performance*: INTENS Corporation s.r.o. provides consultancy services in the area of transport telematics, mobile and FC data to O2 CZ.
- C-Roads Czech Republic Consortium Agreement and the related grant agreement provided by the Innovation and Networks Executive Agency (INEA) (the consortium consists of several companies and entities, including O2 Czech Republic and INTENS Corporation s.r.o. as beneficiaries, and O2 IT Services s.r.o. as the so-called affiliated entity O2 Czech Republic a.s.); *description of contractual performance*: the agreement sets forth the of internal rules and operation of a consortium for the purpose of the C-Roads project, which aims to test C-ITS technology (cooperative intelligent transport systems) in practical scenarios.
- Data processing agreements, *description of contractual performance*: agreement laying down the terms and conditions of processing of personal and other data by the parties under the Personal Data Protection Act.
- Service contract, *description of contractual*

performance: delivery of a part of the public contract "Location data of mobile operators for city planning".

- Contract for the provision of services, *description of contractual performance*: provision of administrative activities of INTENS Corporation s.r.o. by O2 CZ.
- Contract for the provision of services, *description of contractual performance*: implementation of the part of the public contract "Innovative use of mobile data for the design of public transport".
- Sub-contracting agreement, *description of contractual performance*: to carry out the public contract "Purchase of geolocation data from mobile operators for the implementation of the project Improving conditions for decentralisation and accessibility of public administration in the territory".
- Contract for the provision of services, *description of contractual performance*: O2 CZ provides O₂ data centre services to INTENS Corporation s.r.o.
- Contract for the provision of services, *description of contractual performance*: O2 CZ provides O₂ Cloud services to INTENS Corporation s.r.o.
- Purchase contract, *description of contractual performance*: O2 CZ purchased hardware, software, license - SW stack from INTENS Corporation s.r.o. for the fulfilment of public contract of the Czech Technical University in Prague.
- Framework agreement on the terms and conditions of provision of electronic communications services, *description of contractual performance*: O2 CZ provides INTENS Corporation s.r.o. with mobile electronic communications services.
- Service provision agreement, *description of contractual performance*: O2 CZ provides Internet Business/IOL Ethernet services to INTENS Corporation s.r.o.
- Service provision agreement, *description of contractual performance*: O2 CZ provides VoIP Connect electronic communications services to INTENS Corporation s.r.o.

Agreements with mluvii.com s.r.o.

- Framework agreement laying down the terms and conditions of provision of mobile electronic communications services, *description*

of contractual performance: provision of mobile electronic communications services to mluvii.com s.r.o.

- Framework agreement on the provision of services, *description of contractual performance*: conditions of licensing, consultancy and maintenance services by O2 CZ for the software Mluvii.
- Data processing agreements, *description of contractual performance*: agreement laying down the terms and conditions of processing of personal and other data by the parties under the Personal Data Protection Act.
- Framework agreement for the provision of call centre services, *description of contractual performance*: O2 CZ provides services to mluvii.com s.r.o. in the framework of the performance of a public contract for the Ministry of Health of the Czech Republic "Framework agreement for the provision of call centre services".
- Framework supply agreement, *description of contractual performance*: terms and conditions for the provision of a licence for the Mluvii software and automated chat communication solutions for O2 CZ, including the relevant service services.

Agreements with Emeldi Technologies, s.r.o.

- Contract on Development, Support and Maintenance Services, *description of contractual performance*: supply of application administration and small-scale application development services.
- Contract for the implementation of the HW Catalog project, *description of contractual performance*: commitment of Emeldi Technologies s.r.o. to implement the HW Catalog project.
- Framework loan agreement, *description of contractual performance*: O2 CZ undertakes to provide funds to Emeldi.
- Software Licensing and Support Services Agreement, *description of contractual performance*: granting of license rights to Emeldi Commerce v. 6.0. software in unlimited scope within O2 CZ and related support services.

Agreements with Tesco Mobile ČR s.r.o. (joint venture between O2 CZ and Tesco Stores ČR a.s.)

- Shareholders' Agreement (between O2 CZ, Tesco Stores ČR a.s. and Tesco Mobile ČR s.r.o.),

description of contractual performance: agreement regulates the relationship between the shareholders of Tesco Mobile ČR s.r.o.

- Mobile Services Agreement, *description of contractual performance:* setting forth the rights and obligations of the parties in relation to the use of the public mobile communication network operated by O2 CZ.
- Secondment Agreement, *description of contractual performance:* the terms and conditions of the secondment of O2 CZ personnel to Tesco Mobile ČR s.r.o. pursuant to the provisions of Sec 43a of the Labour Code.
- Agreement on cooperation in online sales, *description of contractual performance:* cooperation in the marketing and sale of goods and SIM cards through the e-commerce platform of Tesco Mobile ČR s.r.o.
- O2 Cloud service agreement, *description of contractual performance:* provision of the services O₂ Virtuální datové centrum and O₂ Zálohování (MBR) to Tesco Mobile ČR s.r.o.
- Data processing agreements (an agreement between O2 CZ, Tesco Stores ČR a.s. and Tesco Mobile ČR s.r.o.), *description of contractual performance:* agreement laying down the terms and conditions of processing of personal and other data by the parties under the Personal Data Protection Act.

As far as the controlled person is concerned, the value of the supply under the above agreements was in all cases at fair value, i.e. to standard conditions in business for supply to a third party or by a third party, as the case may be. Further details of the above contracts cannot be disclosed with respect to the need to honour the commitment of confidentiality.

7. Review of any potential loss to the Company and analysis of its settlement pursuant to Sec 71 and Sec 72 of the Business Corporations Act

All actions described in point 6 of this Report were made under standard business terms and conditions; likewise, all supplied or received services under these agreements conformed to standard

terms and conditions of business, and the Company incurred no loss as a result of these agreements.

8. Conclusion

The Board of Directors declares that, based on assessment of the role of the Company towards the controlling person and persons controlled by the same controlling person, in 2021 the Company did not benefit from any special advantages nor suffered any disadvantage or exposed itself to any risk as a result of relations between the Company and the person controlling it and/or persons controlled by the same controlling person. The Company incurred no loss that should be settled according to Sec 71 and 72 of the Business Corporations Act.

The Board of Directors declares that in the process of collecting and verifying information for the purpose of this Report, it applied due diligence, and its conclusions have been formulated after careful consideration. The Board of Directors considers all information presented in this Report on Relations to be correct and complete.

Done in Prague, 1 March 2022

O2 Czech Republic a.s.

Appendix 1 – List of companies directly or indirectly controlled by the same controlling person

Controlling person: Ing. Petr Kellner / Renáta Kellnerová, administrator of the estate

Company	ID / Reg.no.	Incorporated in	Method and means of control	Note	Interest through
AB 4 B.V.	34186049	Netherlands	Person controlled by the same controlling person through an ownership interest		Air Bank a.s.
AB STRUCTURED FUNDING 1 DESIGNATED ACTIVITY COMPANY	619700	Ireland	Person controlled by the same controlling person through an ownership interest		PPF Financial Holdings a.s.
AB-X Projekt GmbH v likvidaci	HRB 247124	Federal Republic of Germany	Person controlled by the same controlling person through an ownership interest		Home Credit Group B.V.
Accord Research, s.r.o. v likvidaci	29048974	Czech Republic	Person controlled by the same controlling person through an ownership interest	until 23 March 2021	PPF Capital Partners Fund B.V.
AF Airfueling s.r.o.	02223953	Czech Republic	Person controlled by the same controlling person through an ownership interest		Prague Entertainment Group B.V.
Air Bank a.s.	29045371	Czech Republic	Person controlled by the same controlling person through an ownership interest		Home Credit N.V.
Alcat S.r.l	1982487	France	Person controlled by the same controlling person through an ownership interest	from 30 September 2021	Dream Yacht Italia S.r.l
Anse Marcel Marina SAS	484763594	France	Person controlled by the same controlling person through an ownership interest	from 30 September 2021	Dream Yacht Saint Martin
ANTHEMONA LIMITED	HE 289 677	Republic of Cyprus	Person controlled by the same controlling person through an ownership interest		Comcity Office Holding B.V.
Aqualodge	823597950	Martinique	Person controlled by the same controlling person through an ownership interest	from 30 September 2021	Dream Yacht Charter

Company	ID / Reg.no.	Incorporated in	Method and means of control	Note	Interest through
Argos Yachtcharter & Touristik GmbH	9313	Federal Republic of Germany	Person controlled by the same controlling person through an ownership interest	from 30 September 2021	Lacani
Archipels croisieres	92125B	France	Person controlled by the same controlling person through an ownership interest	from 30 September 2021	Dream Yacht Tahiti
Art Office Gallery a.s.	24209627	Czech Republic	Person controlled by the same controlling person through an ownership interest		Office Star Eight a.s.
Asake HW s.r.o. v likvidaci (formerly eKasa s.r.o.)	05089131	Czech Republic	Person controlled by the same controlling person through an ownership interest		O2 Czech Republic a.s.
ASTAVEDO LIMITED	HE 316 792	Republic of Cyprus	Person controlled by the same controlling person through an ownership interest		Home Credit Group B.V.
B2S Servisní, a.s. v likvidaci	19013825	Czech Republic	Person controlled by the same controlling person through an ownership interest	until 29 January 2021	PPF CYPRUS MANAGEMENT LIMITED
Bammer trade a.s.	28522761	Czech Republic	Person controlled by the same controlling person through an ownership interest		Skoda B.V.
Bavella B.V.	52522911	Netherlands	Person controlled by the same controlling person through an ownership interest		PPF Group N.V.
Beficery LTD	417922	Republic of Cyprus	Person controlled by the same controlling person through an ownership interest	from 10 November 2021	PPF Industrial Holding B.V.
Benxy s.r.o.	03570967	Czech Republic	Person controlled by the same controlling person through an ownership interest	until 1 December 2021	Air Bank a.s.
Best Charter	820563815	Guadeloupe	Person controlled by the same controlling person through an ownership interest	from 30 September 2021	Dream Yacht Charter
Bestsport holding a.s.	06613161	Czech Republic	Person controlled by the same controlling person through an ownership interest		Prague Entertainment Group B.V.

Company	ID / Reg.no.	Incorporated in	Method and means of control	Note	Interest through
Bestsport Services, a.s. v likvidaci	24215171	Czech Republic	Person controlled by the same controlling person through an ownership interest		PPF CYPRUS MANAGEMENT LIMITED
Bestsport, a.s.	24214795	Czech Republic	Person controlled by the same controlling person through an ownership interest		LINDUS SERVICES LIMITED
BLUE SEA HOLDING Sarl	0771845232	Belgium	Person controlled by the same controlling person through an ownership interest	from 29 July 2021	Vox Ventures B.V.
Bolt Start Up Development a.s.	04071336	Czech Republic	Person controlled by the same controlling person through an ownership interest		O2 Czech Republic a.s.
BONAK a.s.	05098815	Czech Republic	Person controlled by the same controlling person through an ownership interest		PPF a.s.
Boryspil Project Management Ltd.	34999054	Ukraine	Person controlled by the same controlling person through an ownership interest		Pharma Consulting Group Ltd.
Bravewave Limited	HE 416 017	Republic of Cyprus	Person controlled by the same controlling person through an ownership interest	from 10 November 2021	PPF Industrial Holding B.V.
BTV Media Group EAD	130081393	Bulgaria	Person controlled by the same controlling person through an ownership interest		CME Bulgaria B.V.
Capellalaan (Hoofddorp) B.V.	58391312	Netherlands	Person controlled by the same controlling person through an ownership interest		Seven Assets Holding B.V.
Carolia Westminster Hotel Limited	9331282	United Kingdom of Great Britain and Northern Ireland	Person controlled by the same controlling person by acting in concert through an ownership interest		CW Investor S.a.r.l.
CEIL (Central Europe Industries) LTD	275785	Republic of Cyprus	Person controlled by the same controlling person through an ownership interest	from 10 November 2021	Bravewave limited, Beficery LTD
Central European Media Enterprises Ltd.	19574	Bermuda	Person controlled by the same controlling person through an ownership interest	until 24 June 2021	TV Bidco B.V.

Company	ID / Reg.no.	Incorporated in	Method and means of control	Note	Interest through
CETIN a.s.	04084063	Czech Republic	Person controlled by the same controlling person through an ownership interest		CETIN Group N.V.
CETIN Bulgaria EAD	206149191	Bulgaria	Person controlled by the same controlling person through an ownership interest		CETIN Group N.V.
CETIN d.o.o. Beograd - Novi Beograd	21594105	Serbia	Person controlled by the same controlling person through an ownership interest		CETIN Group N.V.
CETIN Finance B.V.	66805589	Netherlands	Person controlled by the same controlling person through an ownership interest		CETIN a.s.
CETIN Group N.V. (formerly CETIN Group B.V.)	65167899	Netherlands	Person controlled by the same controlling person through an ownership interest		PPF Telecom Group B.V.
CETIN Hungary Zártkörűen Működő Részvénytársaság	13-10-042052	Hungary	Person controlled by the same controlling person through an ownership interest		TMT Hungary Infra B.V.
CETIN služby s.r.o.	06095577	Czech Republic	Person controlled by the same controlling person through an ownership interest		CETIN a.s.
CIAS HOLDING a.s.	27399052	Czech Republic	Person controlled by the same controlling person through an ownership interest		Skoda B.V.
CITY TOWER Holding a.s.	02650665	Czech Republic	Person controlled by the same controlling person through an ownership interest	until 6 November 2021	PPF Real Estate Holding B.V.
CME Bulgaria B.V.	34385990	Netherlands	Person controlled by the same controlling person through an ownership interest		CME Media Enterprises B.V.
CME Investments B.V.	33289326	Netherlands	Person controlled by the same controlling person through an ownership interest		CME Media Enterprises B.V.
CME Media Enterprises B.V.	33246826	Netherlands	Person controlled by the same controlling person through an ownership interest		TV Bidco B.V.

Company	ID / Reg.no.	Incorporated in	Method and means of control	Note	Interest through
CME Media Enterprises Limited	49774	Bermuda	Person controlled by the same controlling person through an ownership interest	until 29 January 2021	Central European Media Enterprises Ltd.
CME Media Services Limited	6847543	United Kingdom of Great Britain and Northern Ireland	Person controlled by the same controlling person through an ownership interest		CME Media Enterprises B.V.
CME Programming B.V.	33020125	Netherlands	Person controlled by the same controlling person through an ownership interest	until 11 March 2021	CME Media Enterprises B.V.
CME Services s.r.o.	29018412	Czech Republic	Person controlled by the same controlling person through an ownership interest		CME Media Enterprises B.V.
CME Slovak Holdings B.V.	34274606	Netherlands	Person controlled by the same controlling person through an ownership interest		TV Nova s.r.o.
Comcity Office Holding B.V.	64411761	Netherlands	Person controlled by the same controlling person through an ownership interest		PPF Real Estate Holding B.V.
Croatia Yacht Club d.o.o.	100001999	Croatia	Person controlled by the same controlling person through an ownership interest	from 30 September 2021	Dream Yacht Charter
Croisiere Cabine Antilles	791273881	Martinique	Person controlled by the same controlling person through an ownership interest	from 30 September 2021	Dream Yacht Charter
Culture Trip (Israel) Ltd.	515308609	Israel	Person controlled by the same controlling person through an ownership interest		The Culture Trip Ltd
CW Investor S.á.r.l.	B211446	Luxembourg	Person controlled by the same controlling person by acting in concert through an ownership interest		Westminster JV a.s.
Cytune Pharma SAS	500998703	France	Person controlled by the same controlling person through an ownership interest		Sotio Biotech B.V.
Czech Equestrian Team a.s.	01952684	Czech Republic	Person controlled by the same controlling person by acting in concert through an ownership interest		SUNDOWN FARMS LIMITED

Company	ID / Reg.no.	Incorporated in	Method and means of control	Note	Interest through
CZECH TELECOM Germany GmbH i.L.	HRB 51503	Federal Republic of Germany	Person controlled by the same controlling person through an ownership interest		CETIN a.s.
CzechToll s.r.o.	06315160	Czech Republic	Person controlled by the same controlling person through an ownership interest		PPF a.s.
De Reling (Dronten) B.V.	58164235	Netherlands	Person controlled by the same controlling person through an ownership interest		Seven Assets Holding B.V.
DEVEDIACO ENTERPRISES LIMITED	HE 372136	Republic of Cyprus	Person controlled by the same controlling person through an ownership interest		TELISTAN LIMITED
DRAK INVESTMENT HOLDING LTD	324472	Antigua and Barbuda	Person controlled by the same controlling person through an ownership interest		GONDRA HOLDINGS LTD
Dream Yacht Americas, Inc.	D13776851	United States of America	Person controlled by the same controlling person through an ownership interest	from 30 September 2021	Dream Yacht Charter
Dream Yacht Australia Pty Ltd	138577634	Australia	Person controlled by the same controlling person through an ownership interest	from 30 September 2021	Dream Yacht Charter
Dream Yacht Bahamas Limited	105631118	The Bahamas	Person controlled by the same controlling person through an ownership interest	from 30 September 2021	Dream Yacht Americas, Inc.
Dream Yacht Belize Ltd	239396	Belize	Person controlled by the same controlling person through an ownership interest	from 30 September 2021	Dream Yacht Charter
Dream Yacht Caribbean	478532559	Martinique	Person controlled by the same controlling person through an ownership interest	from 30 September 2021	Dream Yacht Charter
Dream Yacht Club DOO	080648734	Croatia	Person controlled by the same controlling person through an ownership interest	from 30 September 2021	Dream Yacht Nordic AB
Dream Yacht Finance France	844801514	France	Person controlled by the same controlling person through an ownership interest	from 30 September 2021	Dream Yacht Méditerranée

Company	ID / Reg.no.	Incorporated in	Method and means of control	Note	Interest through
Dream Yacht Fleet	844858043	France	Person controlled by the same controlling person through an ownership interest	from 30 September 2021	Dream Yacht Finance France
Dream Yacht Grenadines Ltd	No.70 of 2015	Mexico	Person controlled by the same controlling person through an ownership interest	from 30 September 2021	Dream Yacht Charter
Dream Yacht Group SA	BE0681876643	Belgium	Person controlled by the same controlling person through an ownership interest	from 30 September 2021	BLUE SEA HOLDING Sàrl
Dream Yacht Charter	C10039041	Mauritius	Person controlled by the same controlling person through an ownership interest	from 30 September 2021	DREAM YACHT GROUP SA
Dream Yacht Charter (Antigua) Limited	C138/13	Antigua and Barbuda	Person controlled by the same controlling person through an ownership interest	from 30 September 2021	Dream Yacht Charter
Dream Yacht Charter Balearic, Sociedad Limitada	B57918252	Spain	Person controlled by the same controlling person through an ownership interest	from 30 September 2021	Dream Yacht Méditerranée
Dream Yacht Charter Grenada Limited	112OF2013-7013	Mexico	Person controlled by the same controlling person through an ownership interest	from 30 September 2021	Dream Yacht Charter
Dream Yacht Charter, SA DE CV (Dream Yacht Mexico)	DYC140812520	Mexico	Person controlled by the same controlling person through an ownership interest	from 30 September 2021	Dream Yacht Americas, Inc.
Dream Yacht Italia S.r.l	2113336	France	Person controlled by the same controlling person through an ownership interest	from 30 September 2021	Dream Yacht Méditerranée
Dream Yacht Malaysia	793437U	Malaysia	Person controlled by the same controlling person through an ownership interest	from 30 September 2021	Dream Yacht Charter
Dream Yacht Méditerranée	494440712	France	Person controlled by the same controlling person through an ownership interest	from 30 September 2021	Dream Yacht Charter
Dream Yacht Nordic AB	5564283728	Sweden	Person controlled by the same controlling person through an ownership interest	from 30 September 2021	Dream Yacht Méditerranée

Company	ID / Reg.no.	Incorporated in	Method and means of control	Note	Interest through
Dream Yacht Nouvelle-Calédonie	000963892	France	Person controlled by the same controlling person through an ownership interest	from 30 September 2021	Dream Yacht Charter
Dream Yacht Saint Martin	812809143	France	Person controlled by the same controlling person through an ownership interest	from 30 September 2021	Dream Yacht Charter
Dream Yacht Seychelles Ltd	8427841	Seychelles	Person controlled by the same controlling person through an ownership interest	from 30 September 2021	Dream Yacht Charter
Dream Yacht Tahiti	08179B	France	Person controlled by the same controlling person through an ownership interest	from 30 September 2021	Dream Yacht Charter
Dream Yacht Tortola INC.	1463569	British Virgin Islands	Person controlled by the same controlling person through an ownership interest	from 30 September 2021	Dream Yacht Charter
Dream Yacht Travel	477550313	France	Person controlled by the same controlling person through an ownership interest	from 30 September 2021	Lacani
Dream Yacht USVI LLC	DC0111468	United States of America	Person controlled by the same controlling person through an ownership interest	from 30 September 2021	Dream Yacht Charter
Duoland s.r.o.	06179410	Czech Republic	Person controlled by the same controlling person through an ownership interest		Prague Entertainment Group B.V.
DYC HELLAS M.C.P.Y.	EL99759440	Greece	Person controlled by the same controlling person through an ownership interest	from 30 September 2021	Dream Yacht Méditerranée
Eastern Properties B.V.	58756566	Netherlands	Person controlled by the same controlling person through an ownership interest		PPF Real Estate Holding B.V.
Easy Sailing j.d.o.o za usluge, turisticka agencija	080883331	Croatia	Person controlled by the same controlling person through an ownership interest	from 30 September 2021	Croatia Yacht Club d.o.o.
Easy Sailing Single-Member Shipping Limited Liability Company	004313901000	Greece	Person controlled by the same controlling person through an ownership interest	from 30 September 2021	Dream Yacht Méditerranée

Company	ID / Reg.no.	Incorporated in	Method and means of control	Note	Interest through
Ecos Yachting	080422270	Croatia	Person controlled by the same controlling person through an ownership interest	from 30 September 2021	Dream Yacht Charter
ELTHYSIA LIMITED	HE 290 356	Republic of Cyprus	Person controlled by the same controlling person through an ownership interest		PPF Real Estate Holding B.V.
Emeldi Technologies, s.r.o.	25663232	Czech Republic	Person controlled by the same controlling person through an ownership interest		O2 Czech Republic a.s.
EMPTYCO a.s. (formerly Telematika a.s.)	05418046	Czech Republic	Person controlled by the same controlling person through an ownership interest		PPF a.s.
ENADOCO LIMITED	HE 316 486	Republic of Cyprus	Person controlled by the same controlling person through an ownership interest		Home Credit Group B.V.
Erable B.V.	67330495	Netherlands	Person controlled by the same controlling person through an ownership interest		PPF Group N.V.
ESK Developments Limited	1611159	British Virgin Islands	Person controlled by the same controlling person through an ownership interest		Chelton Properties Limited
EusebiusBS (Arnhem) B.V.	58163778	Netherlands	Person controlled by the same controlling person through an ownership interest		Seven Assets Holding B.V.
FACIPERO INVESTMENTS LIMITED	HE 232 483	Republic of Cyprus	Person controlled by the same controlling person through an ownership interest		PPF Group N.V.
Favour Ocean Limited	1065678	People's Republic of China	Person controlled by the same controlling person through an ownership interest		Home Credit N.V.
FELISTON ENTERPRISES LIMITED	HE 152674	Republic of Cyprus	Person controlled by the same controlling person through an ownership interest	until 14 August 2021	SALEMONTA LIMITED
Filcommerce Holdings, Inc	CS 201 310 129	Republic of the Philippines	Person controlled by the same controlling person through an ownership interest		HC Philippines Holding B.V.

Company	ID / Reg.no.	Incorporated in	Method and means of control	Note	Interest through
FLOGESCO LIMITED	HE 172588	Republic of Cyprus	Person controlled by the same controlling person through an ownership interest		Gilbey Holdings Limited
FO Management s.r.o.	06754295	Czech Republic	Person controlled by the same controlling person through an ownership interest		PPF FO Management B.V.
FO servis s.r.o.	08446407	Czech Republic	Person controlled by the same controlling person through an ownership interest		PPF FO Management B.V.
Fodina B.V.	59400676	Netherlands	Person controlled by the same controlling person through an ownership interest		PPF Group N.V.
Fórum Karlín a.s.	08259551	Czech Republic	Person controlled by the same controlling person through an ownership interest	from 9 July 2021	Prague Entertainment Group B.V.
Forward leasing LLP	190740032911	Kazakhstan	Person controlled by the same controlling person through an ownership interest		Vsegda Da N.V., LLC Forward leasing
FOSOL ENTERPRISES LIMITED	HE 372077	Republic of Cyprus	Person controlled by the same controlling person through an ownership interest		DEVEDIACO ENTERPRISES LIMITED
GABELLI CONSULTANCY LIMITED	HE 160 589	Republic of Cyprus	Person controlled by the same controlling person through an ownership interest		VELTHEMIA LIMITED
Ganz-Skoda Electric Zrt.	110045500	Hungary	Person controlled by the same controlling person through an ownership interest		ŠKODA TRANSPORTATION a.s.
Gen Office Gallery a.s.	24209881	Czech Republic	Person controlled by the same controlling person through an ownership interest		Office Star Eight a.s.
German Properties B.V.	61008664	Netherlands	Person controlled by the same controlling person through an ownership interest		PPF Real Estate Holding B.V.
GILBEY HOLDINGS LIMITED	HE182860	Republic of Cyprus	Person controlled by the same controlling person through an ownership interest		PPF Real Estate Holding B.V.

Company	ID / Reg.no.	Incorporated in	Method and means of control	Note	Interest through
GONDRA HOLDINGS LTD	324452	Antigua and Barbuda	Person controlled by the same controlling person through an ownership interest		Salonica Holding Limited
GRACESPRING LIMITED	HE 208 337	Republic of Cyprus	Person controlled by the same controlling person through an ownership interest		PPF Real Estate Holding B.V.
Grandview Resources Corp.	1664098	British Virgin Islands	Person controlled by the same controlling person through an ownership interest		Bavella B.V.
Guangdong Home Credit Number Two Information Consulting Co., Ltd	76732894-1	People's Republic of China	Person controlled by the same controlling person through an ownership interest		Home Credit Asia Limited
HC Asia B.V.	34253829	Netherlands	Person controlled by the same controlling person through an ownership interest		Home Credit N.V.
HC Consumer Finance Philippines, Inc	CS201301354	Republic of the Philippines	Person controlled by the same controlling person through an ownership interest		HC Philippines Holding B.V.
HC Finance USA LLC	7241255	United States of America	Person controlled by the same controlling person through an ownership interest		Home Credit US Holding, LLC
HC ITS s.r.o. v likvidaci	08803251	Czech Republic	Person controlled by the same controlling person through an ownership interest	until 20 September 2021	Home Credit Group B.V.
HC Philippines Holding B.V.	35024270	Netherlands	Person controlled by the same controlling person through an ownership interest		HC Asia B.V.
HCPH Financing I. Inc	CS201727565	Republic of the Philippines	Person controlled by the same controlling person through an ownership interest		HC Philippines Holding B.V.
HCPH INSURANCE BROKERAGE, INC.	CS201812176	Republic of the Philippines	Person controlled by the same controlling person through an ownership interest		HC Philippines Holding B.V.
Hofplein Offices (Rotterdam) B.V.	64398064	Netherlands	Person controlled by the same controlling person through an ownership interest		Seven Assets Holding B.V.

Company	ID / Reg.no.	Incorporated in	Method and means of control	Note	Interest through
Home Credit a.s.	26978636	Czech Republic	Person controlled by the same controlling person through an ownership interest		Home Credit International a.s.
Home Credit Asia Limited	890063	People's Republic of China	Person controlled by the same controlling person through an ownership interest		HC Asia B.V.
Home Credit Consumer Finance Co., Ltd	91120116636067462H	People's Republic of China	Person controlled by the same controlling person through an ownership interest		Home Credit N.V.
Home Credit Group B.V.	69638284	Netherlands	Person controlled by the same controlling person through an ownership interest		PPF Financial Holdings a.s.
Home Credit India B.V.	52695255	Netherlands	Person controlled by the same controlling person through an ownership interest		HC Asia B.V.
HOME CREDIT INDIA FINANCE PRIVATE LIMITED	U65910HR1997PTC 047448	Republic of India	Person controlled by the same controlling person through an ownership interest		Home Credit India B.V., Home Credit International a.s.
HOME CREDIT INDIA STRATEGIC ADVISORY SERVICES PRIVATE LIMITED	U74999HR2017FTC 070364	Republic of India	Person controlled by the same controlling person through an ownership interest		Home Credit India B.V., Home Credit International a.s.
Home Credit Indonesia B.V.	52695557	Netherlands	Person controlled by the same controlling person through an ownership interest		HC Asia B.V.
Home Credit International a.s.	60192666	Czech Republic	Person controlled by the same controlling person through an ownership interest		Home Credit N.V.
Home Credit N.V.	34126597	Netherlands	Person controlled by the same controlling person through an ownership interest		Home Credit Group B.V.
Home Credit Slovakia, a.s.	36234176	Slovak Republic	Person controlled by the same controlling person through an ownership interest		Home Credit N.V.

Company	ID / Reg.no.	Incorporated in	Method and means of control	Note	Interest through
Home Credit US Holding, LLC	5467913	United States of America	Person controlled by the same controlling person through an ownership interest		Home Credit Group B.V.
Home Credit US, LLC	5482663	United States of America	Person controlled by the same controlling person through an ownership interest		Home Credit US Holding, LLC
Home Credit Vietnam Finance Company Limited	307672788	Vietnam	Person controlled by the same controlling person through an ownership interest		Home Credit N.V.
HOPAR LIMITED	HE 188 923	Republic of Cyprus	Person controlled by the same controlling person through an ownership interest		PPF Real Estate Holding B.V.
Horse Arena s.r.o.	04479823	Czech Republic	Person controlled by the same controlling person by acting in concert through an ownership interest		SUNDOWN FARMS LIMITED
Chelton Properties Limited	1441835	British Virgin Islands	Person controlled by the same controlling person through an ownership interest		Renáta Kellnerová
INTENS Corporation s.r.o.	28435575	Czech Republic	Person controlled by the same controlling person through an ownership interest		Bolt Start Up Development a.s.
ITIS Holding a.s.	07961774	Czech Republic	Person controlled by the same controlling person through an ownership interest		PPF a.s.
Izotrem Investments Limited	HE 192753	Republic of Cyprus	Person controlled by the same controlling person through an ownership interest		Gilbey Holdings Limited
JARVAN HOLDINGS LIMITED	HE 310 140	Republic of Cyprus	Person controlled by the same controlling person through an ownership interest		PPF Real Estate Holding B.V., PPF CYPRUS RE MANAGEMENT LIMITED
Johan H (Amsterdam) B.V.	58163239	Netherlands	Person controlled by the same controlling person through an ownership interest		Seven Assets Holding B.V.

Company	ID / Reg.no.	Incorporated in	Method and means of control	Note	Interest through
Joint-Stock Company „Investments trust“	1037739865052	Russian Federation	Person controlled by the same controlling person through an ownership interest		Trilogy Park Holding B.V.
Joint-Stock Company „Intrust NN“	1065259035896	Russian Federation	Person controlled by the same controlling person through an ownership interest		Stinctum Holdings Limited
Jokiaura Kakkonen Oy	2401050-2	Finland	Person controlled by the same controlling person through an ownership interest		Skoda B.V.
JONSA LIMITED	HE275110	Republic of Cyprus	Person controlled by the same controlling person through an ownership interest		PPF Real Estate Holding B.V., PPF CYPRUS RE MANAGEMENT LIMITED
Kanal A d.o.o.	5402662000	Slovenia	Person controlled by the same controlling person through an ownership interest		PRO PLUS d.o.o.
Kateřinská Office Building s.r.o.	03495663	Czech Republic	Person controlled by the same controlling person through an ownership interest		PPF Real Estate s.r.o.
Komodor LLC	32069917	Ukraine	Person controlled by the same controlling person through an ownership interest		West Logistics Park LLC
Lacani	799758412	France	Person controlled by the same controlling person through an ownership interest	from 30 September 2021	Dream Yacht Group SA
Langen Property B.V.	61012777	Netherlands	Person controlled by the same controlling person through an ownership interest		German Properties B.V.
Latesail Limited	3783328	United Kingdom of Great Britain and Northern Ireland	Person controlled by the same controlling person through an ownership interest	from 30 September 2021	Lacani
Letiřtě Praha Letňany, s.r.o.	24678350	Czech Republic	Person controlled by the same controlling person through an ownership interest		Prague Entertainment Group B.V.
Letňany Air Land s.r.o.	06138462	Czech Republic	Person controlled by the same controlling person through an ownership interest		Prague Entertainment Group B.V.

Company	ID / Reg.no.	Incorporated in	Method and means of control	Note	Interest through
Letňany Air Logistics s.r.o.	06138411	Czech Republic	Person controlled by the same controlling person through an ownership interest		Prague Entertainment Group B.V.
Letňany eGate s.r.o.	06137628	Czech Republic	Person controlled by the same controlling person through an ownership interest		Prague Entertainment Group B.V.
Letňany Park Gate s.r.o.	06138446	Czech Republic	Person controlled by the same controlling person through an ownership interest		Prague Entertainment Group B.V.
Limited Liability Company "Dream Yacht Montenegro" Llc KOTOR	50961329	Montenegro	Person controlled by the same controlling person through an ownership interest	from 30 September 2021	Dream Yacht Charter
LINDUS SERVICES LIMITED	HE 281 891	Republic of Cyprus	Person controlled by the same controlling person through an ownership interest		Bestsport holding a.s.
LLC „Gorod Molodogo Pokolenija“	1187746792914	Russian Federation	Person controlled by the same controlling person through an ownership interest		JARVAN HOLDINGS LIMITED
LLC „KARTONTARA“	1197746247247	Russian Federation	Person controlled by the same controlling person through an ownership interest	until 31 August 2021	JARVAN HOLDINGS LIMITED
LLC Alians R	1086627000635	Russian Federation	Person controlled by the same controlling person through an ownership interest		JONSA LIMITED
LLC Almondsey	1127747228190	Russian Federation	Person controlled by the same controlling person through an ownership interest		PPF Real Estate Holding B.V., LLC Charlie Com.
LLC BRAMA	1107746950431	Russian Federation	Person controlled by the same controlling person through an ownership interest		JARVAN HOLDINGS LIMITED
LLC Comcity Kotelnaya	5157746112959	Russian Federation	Person controlled by the same controlling person through an ownership interest		Comcity Office Holding B.V.
LLC EASTERN PROPERTIES RUSSIA	1137746929836	Russian Federation	Person controlled by the same controlling person through an ownership interest		Bavella B.V., GRANDVIEW RESOURCES CORP.

Company	ID / Reg.no.	Incorporated in	Method and means of control	Note	Interest through
LLC ERKO	1044702180863	Russian Federation	Person controlled by the same controlling person through an ownership interest	until 28 December 2021	LLC „Gorod Molodogo Pokolenija“
LLC Fantom	1053001163302	Russian Federation	Person controlled by the same controlling person through an ownership interest		PPF Real Estate s.r.o., PALEOS INDUSTRIES B.V.
LLC Financial Innovations	1047796566223	Russian Federation	Person controlled by the same controlling person through an ownership interest		LLC Home Credit & Finance Bank
LLC Forward leasing	1157746587943	Russian Federation	Person controlled by the same controlling person through an ownership interest		Vsegda Da N.V.
LLC Home Credit & Finance Bank	1027700280937	Russian Federation	Person controlled by the same controlling person through an ownership interest		Home Credit N.V., Home Credit International a.s.
LLC Home Credit Insurance	1027739236018	Russian Federation	Person controlled by the same controlling person through an ownership interest		Home Credit N.V.
LLC Charlie Com	1137746330336	Russian Federation	Person controlled by the same controlling person through an ownership interest		PPF Real Estate s.r.o.
LLC In Vino	1052309138628	Russian Federation	Person controlled by the same controlling person through an ownership interest		Gracespring Limited
LLC ISK Klokovo	1127746186501	Russian Federation	Person controlled by the same controlling person through an ownership interest		STEPHOLD LIMITED
LLC K-Development	1077760004629	Russian Federation	Person controlled by the same controlling person through an ownership interest	until 16 September 2021	JARVAN HOLDINGS LIMITED
LLC KEPS	1127746190604	Russian Federation	Person controlled by the same controlling person through an ownership interest	until 5 July 2021	PPF Real Estate Holding B.V., PALEOS INDUSTRIES B.V.
LLC Kvartal Togliatti	1056320172567	Russian Federation	Person controlled by the same controlling person through an ownership interest		PPF Real Estate Holding B.V., PALEOS INDUSTRIES B.V.

Company	ID / Reg.no.	Incorporated in	Method and means of control	Note	Interest through
LLC LB Voronezh	1133668033872	Russian Federation	Person controlled by the same controlling person through an ownership interest		LLC EASTERN PROPERTIES RUSSIA
LLC Logistics - A	1115048002156	Russian Federation	Person controlled by the same controlling person through an ownership interest		ELTHYSIA LIMITED, PPF CYPRUS RE MANAGEMENT LIMITED
LLC Logistika -Ufa	1150280069477	Russian Federation	Person controlled by the same controlling person through an ownership interest		PPF Real Estate s.r.o.
LLC MCC Kupine kopi	1027700280640	Russian Federation	Person controlled by the same controlling person through an ownership interest		Home Credit N.V.
LLC My Gym	5157746112915	Russian Federation	Person controlled by the same controlling person through an ownership interest		Comcity Office Holding B.V.
LLC Oil Investments	1167746861677	Russian Federation	Person controlled by the same controlling person through an ownership interest		PPF Real Estate s.r.o., PALEOS INDUSTRIES B.V.
LLC PPF Life Insurance	1027739031099	Russian Federation	Person controlled by the same controlling person through an ownership interest		PPF Group N.V.
LLC PPF Real Estate Russia	1057749557568	Russian Federation	Person controlled by the same controlling person through an ownership interest		PPF Real Estate Holding B.V.
LLC RAV Agro	1073667022879	Russian Federation	Person controlled by the same controlling person through an ownership interest		Bavella B.V., Grandview Resources Corp.
LLC RAV Agro Pro	1033600135557	Russian Federation	Person controlled by the same controlling person through an ownership interest		LLC RAV Agro, LLC RAV Molokoprodukt
LLC RAV Molokoprodukt	1083627001567	Russian Federation	Person controlled by the same controlling person through an ownership interest		LLC RAV Agro, Grandview Resources Corp., Bavella B.V.
LLC RAV Myasoprodukt - Orel	1135749001684	Russian Federation	Person controlled by the same controlling person through an ownership interest		LLC RAV Agro

Company	ID / Reg.no.	Incorporated in	Method and means of control	Note	Interest through
LLC RAV Niva Orel	1113668051090	Russian Federation	Person controlled by the same controlling person through an ownership interest		LLC RAV Agro
LLC Razvitie	1155009002609	Russian Federation	Person controlled by the same controlling person through an ownership interest		VELTHEMIA LIMITED
LLC Regional Real Estate	1137746217950	Russian Federation	Person controlled by the same controlling person through an ownership interest		PPF Real Estate Limited
LLC ROKO	5107746049329	Russian Federation	Person controlled by the same controlling person through an ownership interest		JONSA LIMITED
LLC Sibelectroprivod	1045400530922	Russian Federation	Person controlled by the same controlling person by acting in concert through an ownership interest		LOSITANTO LIMITED
LLC Skladi 104	5009049271	Russian Federation	Person controlled by the same controlling person through an ownership interest		GABELLI CONSULTANCY LIMITED
LLC Skolkovo Gate	1137746214979	Russian Federation	Person controlled by the same controlling person through an ownership interest		PPF Real Estate s.r.o.
LLC Sotio	1117746901502	Russian Federation	Person controlled by the same controlling person through an ownership interest		PPF Biotech B.V.
LLC Spectrum	1097746356806	Russian Federation	Person controlled by the same controlling person through an ownership interest	until 9 February 2021	PPF Real Estate Holding B.V., PALEOS INDUSTRIES B.V.
LLC Spetsializirovanniy zastroyshchik „Delta Com“	1137746330358	Russian Federation	Person controlled by the same controlling person through an ownership interest		LLC Skolkovo Gate
LLC Stockmann StP Centre	1057811023830	Russian Federation	Person controlled by the same controlling person through an ownership interest		LLC Oil Investments
LLC Strata	7702765300	Russian Federation	Person controlled by the same controlling person through an ownership interest		VELTHEMIA LIMITED

Company	ID / Reg.no.	Incorporated in	Method and means of control	Note	Interest through
LLC Street Retail	1207700449880	Russian Federation	Person controlled by the same controlling person through an ownership interest		PPF Real Estate s.r.o., PPF Cyprus RE Management Limited
LLC Torgovij complex Lipetskiy	1074823001593	Russian Federation	Person controlled by the same controlling person through an ownership interest		JARVAN HOLDINGS LIMITED
LLC Trilogy	1155027001030	Russian Federation	Person controlled by the same controlling person through an ownership interest		Trilogy Park Holding B.V.
LLC Trilogy Services	1155027007398	Russian Federation	Person controlled by the same controlling person through an ownership interest		Trilogy Park Holding B.V.
LLC Urozhay	1063627011910	Russian Federation	Person controlled by the same controlling person through an ownership interest		LLC Yug
LLC Vagonmash	1117847029695	Russian Federation	Person controlled by the same controlling person by acting in concert through an ownership interest		ŠKODA TRANSPORTATION a.s.
LLC Vsegda Da	5177746179705	Russian Federation	Person controlled by the same controlling person through an ownership interest		Vsegda Da N.V., LLC Forward leasing
LLC Yug	1083627001567	Russian Federation	Person controlled by the same controlling person through an ownership interest		LLC LB Voronezh
LOSITANTO Ltd.	HE157131	Republic of Cyprus	Person controlled by the same controlling person through an ownership interest		SATACOTO Ltd.
LvZH (Rijswijk) B.V.	58163999	Netherlands	Person controlled by the same controlling person through an ownership interest		Seven Assets Holding B.V.
Maraflex s.r.o.	02415852	Czech Republic	Person controlled by the same controlling person through an ownership interest		PPF Group N.V.

Company	ID / Reg.no.	Incorporated in	Method and means of control	Note	Interest through
Marina Zaton d.o.o. za nauticki turizam i usluge	080861249	Croatia	Person controlled by the same controlling person through an ownership interest	from 30 September 2021	Dream Yacht Charter
MARKÍZA - SLOVAKIA, spol s r.o.	31444873	Slovak Republic	Person controlled by the same controlling person through an ownership interest		CME Slovak Holdings B.V.
MICROLIGHT TRADING LIMITED	HE 224 515	Republic of Cyprus	Person controlled by the same controlling person through an ownership interest		PPF Real Estate Holding B.V.
MIDDLECAP SEAL HOUSE LIMITED	11669616	United Kingdom of Great Britain and Northern Ireland	Person controlled by the same controlling person by acting in concert through an ownership interest		Seal House JV a.s.
Millennium Hotel Rotterdam B.V. (dříve PPF Beer IM Holdco B.V.)	67331378	Netherlands	Person controlled by the same controlling person through an ownership interest		PPF Real Estate Holding B.V.
Millennium Tower (Rotterdam) B.V.	56261330	Netherlands	Person controlled by the same controlling person through an ownership interest		Seven Assets Holding B.V.
Miridical Holding Limited	425998	Republic of Cyprus	Person controlled by the same controlling person through an ownership interest	from 13 December 2021	PPF a.s.
mluvii.com s.r.o.	27405354	Czech Republic	Person controlled by the same controlling person through an ownership interest		Bolt Start Up Development a.s.
MOBI BANKA AD BEOGRAD (NOVI BEOGRAD)	17138669	Serbia	Person controlled by the same controlling person through an ownership interest		PPF Financial Holdings a.s.
Monheim Property B.V.	61012521	Netherlands	Person controlled by the same controlling person through an ownership interest		German Properties B.V.
Monchylein (Den Haag) B.V.	58163603	Netherlands	Person controlled by the same controlling person through an ownership interest		Seven Assets Holding B.V.

Company	ID / Reg.no.	Incorporated in	Method and means of control	Note	Interest through
Montería, spol. s r.o.	27901998	Czech Republic	Person controlled by the same controlling person through an ownership interest		PPF FO Management B.V.
Moranda, a.s.	28171934	Czech Republic	Person controlled by the same controlling person through an ownership interest		PPF Group N.V.
MP Holding 2 B.V.	69457018	Netherlands	Person controlled by the same controlling person through an ownership interest		DEVEDIACO ENTERPRISES LIMITED
Murcja sp. z o.o.	0000905867	Poland	Person controlled by the same controlling person through an ownership interest	from 29 September 2021	PPF Real Estate s.r.o.
My Air a.s.	05479070	Czech Republic	Person controlled by the same controlling person through an ownership interest		Air Bank a.s.
Mystery Services s.r.o.	24768103	Czech Republic	Person controlled by the same controlling person through an ownership interest		PPF a.s.
Naneva B.V.	67400639	Netherlands	Person controlled by the same controlling person through an ownership interest		PPF Group N.V.
Navigare Yachting AB	5566862354	Sweden	Person controlled by the same controlling person by acting in concert through an ownership interest	from 5 July 2021	Navigare Yachting Holding AB
Navigare Yachting AS	990383960	Sweden	Person controlled by the same controlling person by acting in concert through an ownership interest	from 5 July 2021	Navigare Yachting Holding AB
Navigare Yachting Bahamas, Ltd	78803C	The Bahamas	Person controlled by the same controlling person by acting in concert through an ownership interest	from 5 July 2021	Navigare Yachting Holding AB
NAVIGARE YACHTING D.O.O.	43630049107	Croatia	Person controlled by the same controlling person by acting in concert through an ownership interest	from 5 July 2021	Navigare Yachting Holding AB

Company	ID / Reg.no.	Incorporated in	Method and means of control	Note	Interest through
Navigare Yachting Global Holding AB	5569860496	Sweden	Person controlled by the same controlling person by acting in concert through an ownership interest	from 5 July 2021	BLUE SEA HOLDING SÁRL
Navigare Yachting Greece Single Member P.C.	132130909000	Greece	Person controlled by the same controlling person by acting in concert through an ownership interest	from 5 July 2021	Navigare Yachting Holding AB
Navigare Yachting Holding AB	5565747861	Sweden	Person controlled by the same controlling person by acting in concert through an ownership interest	from 5 July 2021	Navigare Yachting Global Holding AB
Navigare Yachting Ltd	1779855	British Virgin Islands	Person controlled by the same controlling person by acting in concert through an ownership interest	from 5 July 2021	Navigare Yachting Holding AB
Navigare Yachting Ltd under liquidation	EL999903510	Greece	Person controlled by the same controlling person by acting in concert through an ownership interest	from 5 July 2021	Navigare Yachting Holding AB
Navigare Yachting Operations Company Limited	0835554001869	Thailand	Person controlled by the same controlling person by acting in concert through an ownership interest	from 5 July 2021	Navigare Yachting Holding AB
Navigare Yachting Services Single Member P.C.	131919703000	Greece	Person controlled by the same controlling person by acting in concert through an ownership interest	from 5 July 2021	Navigare Yachting Greece Single Member P.C.
Navigare Yachting Seychelles	8429665-1	Seychelles	Person controlled by the same controlling person by acting in concert through an ownership interest	from 5 July 2021	Navigare Yachting Holding AB
Navigare Yachting Spain S.L.	B16562860	Spain	Person controlled by the same controlling person by acting in concert through an ownership interest	from 5 July 2021	Navigare Yachting Holding AB
Navigare Yachting USA, Inc.	371800516	United States of America	Person controlled by the same controlling person by acting in concert through an ownership interest	from 5 July 2021	Navigare Yachting Holding AB

Company	ID / Reg.no.	Incorporated in	Method and means of control	Note	Interest through
Navtours INC	1148230619	Canada	Person controlled by the same controlling person through an ownership interest	from 30 September 2021	Dream Yacht Charter
Navtours USA INC	F20000004093	United States of America	Person controlled by the same controlling person through an ownership interest	from 30 September 2021	Navtours INC
NBWC Limited	1024143	British Virgin Islands	Person controlled by the same controlling person through an ownership interest		ESK Developments Limited
Net Gate s.r.o.	24765651	Czech Republic	Person controlled by the same controlling person through an ownership interest	until 26 October 2021	PPF a.s.
O2 Business Services, a.s.	50087487	Slovak Republic	Person controlled by the same controlling person through an ownership interest		O2 Slovakia, s.r.o.
O2 Czech Republic a.s.	60193336	Czech Republic	Person controlled by the same controlling person through an ownership interest		PPF Telco B.V.
O2 Family, s.r.o.	24215554	Czech Republic	Person controlled by the same controlling person through an ownership interest		O2 Czech Republic a.s.
O2 Financial Services s.r.o.	05423716	Czech Republic	Person controlled by the same controlling person through an ownership interest		O2 Czech Republic a.s.
O2 IT Services s.r.o.	02819678	Czech Republic	Person controlled by the same controlling person through an ownership interest		O2 Czech Republic a.s.
O2 Slovakia, s.r.o.	35848863	Slovak Republic	Person controlled by the same controlling person through an ownership interest		O2 Czech Republic a.s.
O2 TV s.r.o.	03998380	Czech Republic	Person controlled by the same controlling person through an ownership interest		O2 Czech Republic a.s.
Oceane Yacht Charter LTD	8419691	Seychelles	Person controlled by the same controlling person through an ownership interest	from 30 September 2021	Dream Yacht Seychelles Ltd

Company	ID / Reg.no.	Incorporated in	Method and means of control	Note	Interest through
Office Star Eight a.s.	27639177	Czech Republic	Person controlled by the same controlling person through an ownership interest		PPF Real Estate s.r.o.
Office Star Nine, spol. s r. o.	27904385	Czech Republic	Person controlled by the same controlling person through an ownership interest		PPF Real Estate Holding B.V.
One Westferry Circus S.a.r.l.	B175495	Luxembourg	Person controlled by the same controlling person through an ownership interest		PPR Real Estate s.r.o.
Paleos Industries B.V.	66846919	Netherlands	Person controlled by the same controlling person through an ownership interest		PPF Real Estate Holding B.V.
Pharma Consulting Group Ltd.	34529634	Ukraine	Person controlled by the same controlling person through an ownership interest		HOPAR LIMITED, PPF CYPRUS RE MANAGEMENT LIMITED
Plaza Development SRL	22718444	Romania	Person controlled by the same controlling person through an ownership interest		PPF Real Estate s.r.o., PPF CYPRUS RE MANAGEMENT LIMITED
POLL,s.r.o.	62967754	Czech Republic	Person controlled by the same controlling person through an ownership interest		ŠKODA TRANSPORTATION a.s.
Pompenburg (Rotterdam) B.V.	58163506	Netherlands	Person controlled by the same controlling person through an ownership interest		Seven Assets Holding B.V.
POP TV d.o.o.	1381431000	Slovenia	Person controlled by the same controlling person through an ownership interest		PRO PLUS d.o.o.
POTLAK LIMITED	HE362788	Republic of Cyprus	Person controlled by the same controlling person through an ownership interest		Renáta Kellnerová
PPF a.s.	25099345	Czech Republic	Person controlled by the same controlling person through an ownership interest		PPF Group N.V.
PPF A3 B.V.	61684201	Netherlands	Person controlled by the same controlling person through an ownership interest	until 1 September 2021	PPF Group N.V.

Company	ID / Reg.no.	Incorporated in	Method and means of control	Note	Interest through
PPF A4 B.V.	63365391	Netherlands	Person controlled by the same controlling person through an ownership interest		PPF Group N.V.
PPF Advisory (CR) a.s.	25792385	Czech Republic	Person controlled by the same controlling person through an ownership interest		PPF Group N.V.
PPF ADVISORY (RUSSIA) LIMITED	HE 276 979	Republic of Cyprus	Person controlled by the same controlling person through an ownership interest		PPF Group N.V.
PPF Advisory (UK) Limited	5539859	United Kingdom of Great Britain and Northern Ireland	Person controlled by the same controlling person through an ownership interest		PPF Group N.V.
PPF Art a.s.	63080672	Czech Republic	Person controlled by the same controlling person through an ownership interest		PPF a.s.
PPF banka a.s.	47116129	Czech Republic	Person controlled by the same controlling person through an ownership interest		PPF Financial Holdings a.s.
PPF Biotech B.V. (formerly PPF Capital Partners Fund B.V.)	55003982	Netherlands	Person controlled by the same controlling person through an ownership interest		PPF Group N.V.
PPF CO 3 B.V.	34360935	Netherlands	Person controlled by the same controlling person through an ownership interest		PPF banka a.s.
PPF CYPRUS MANAGEMENT LIMITED	HE 224463	Republic of Cyprus	Person controlled by the same controlling person through an ownership interest		PPF Group N.V.
PPF CYPRUS RE MANAGEMENT LIMITED	HE 251 908	Republic of Cyprus	Person controlled by the same controlling person through an ownership interest		PPF Real Estate s.r.o.
PPF Financial Holdings a.s. (změna sídla, formerly PPF Financial Holding B.V.)	10907718	Czech Republic	Person controlled by the same controlling person through an ownership interest		PPF Group N.V.
PPF Finco B.V.	77800117	Netherlands	Person controlled by the same controlling person through an ownership interest		PPF Group N.V.

Company	ID / Reg.no.	Incorporated in	Method and means of control	Note	Interest through
PPF FO Management B.V.	34186296	Netherlands	Person controlled by the same controlling person through an ownership interest		Renáta Kellnerová
PPF FrenchCo SAS	888264744	France	Person controlled by the same controlling person through an ownership interest		Skoda B.V.
PPF GATE a.s.	27654524	Czech Republic	Person controlled by the same controlling person through an ownership interest		PPF Real Estate Holding B.V.
PPF Group N.V.	33264887	Netherlands	Person controlled by the same controlling person through an ownership interest		Renáta Kellnerová, PPF Holdings B.V.
PPF Healthcare N.V.	34308251	Netherlands	Person controlled by the same controlling person through an ownership interest		PPF Group N.V.
PPF Holdings B.V.	34186294	Netherlands	Person controlled by the same controlling person through an ownership interest		Renáta Kellnerová
PPF Industrial Holding B.V.	71500219	Netherlands	Person controlled by the same controlling person through an ownership interest		PPF Group N.V.
PPF RE Consulting s.r.o. (formerly PPF Financial Consulting s.r.o.)	24225657	Czech Republic	Person controlled by the same controlling person through an ownership interest		PPF Real Estate Holding B.V.
PPF Real Estate Holding B.V.	34276162	Netherlands	Person controlled by the same controlling person through an ownership interest		PPF Group N.V.
PPF Real Estate I, Inc.	7705173	United States of America	Person controlled by the same controlling person through an ownership interest		PPF Real Estate s.r.o.
PPF REAL ESTATE LIMITED	HE 188 089	Republic of Cyprus	Person controlled by the same controlling person through an ownership interest		PPF Real Estate Holding B.V.
PPF Real Estate s.r.o.	27638987	Czech Republic	Person controlled by the same controlling person through an ownership interest		PPF Real Estate Holding B.V., PPF RE Consulting s.r.o.

Company	ID / Reg.no.	Incorporated in	Method and means of control	Note	Interest through
PPF reality a.s.	29030072	Czech Republic	Person controlled by the same controlling person through an ownership interest		PPF Real Estate s.r.o.
PPF SECRETARIAL LTD	HE 340708	Republic of Cyprus	Person controlled by the same controlling person through an ownership interest		PPF CYPRUS MANAGEMENT LIMITED
PPF SERVICES LIMITED	HE 92432	Republic of Cyprus	Person controlled by the same controlling person through an ownership interest	until 26 July 2021	PPF Group N.V.
PPF Telco B.V.	65167902	Netherlands	Person controlled by the same controlling person through an ownership interest		PPF Telecom Group B.V.
PPF Telecom Group B.V.	59009187	Netherlands	Person controlled by the same controlling person through an ownership interest		PPF TMT Holdco 2 B.V.
PPF TMT Bidco 1 B.V.	70498288	Netherlands	Person controlled by the same controlling person through an ownership interest		PPF Telecom Group B.V.
PPF TMT Bidco 1 Infra B.V.	81312776	Netherlands	Person controlled by the same controlling person through an ownership interest	until 12 February 2021	PPF Telecom Group B.V.
PPF TMT Bidco 2 B.V (formerly PPF Beer Bidco B.V.)	67332722	Netherlands	Person controlled by the same controlling person through an ownership interest		PPF Group N.V.
PPF TMT Holdco 1 B.V.	70498261	Netherlands	Person controlled by the same controlling person through an ownership interest		PPF Group N.V.
PPF TMT Holdco 2 B.V.	70526214	Netherlands	Person controlled by the same controlling person through an ownership interest		PPF TMT Holdco 1 B.V.
Prague Entertainment Group B.V.	63600757	Netherlands	Person controlled by the same controlling person through an ownership interest		PPF Group N.V.
Pro Digital S.R.L.	1003600048028	Moldova	Person controlled by the same controlling person through an ownership interest		CME Media Enterprises B.V.

Company	ID / Reg.no.	Incorporated in	Method and means of control	Note	Interest through
PRO PLUS d.o.o.	5895081000	Slovenia	Person controlled by the same controlling person through an ownership interest		CME Media Enterprises B.V.
Pro TV S.R.L.	J40/24578/1992	Romania	Person controlled by the same controlling person through an ownership interest		CME Media Enterprises B.V.
PT Home Credit Indonesia	03.193.870.7-021.000	Republic of Indonesia	Person controlled by the same controlling person through an ownership interest		Home Credit Indonesia B.V.
Public Picture & Marketing a.s.	25667254	Czech Republic	Person controlled by the same controlling person through an ownership interest		PPF a.s.
Qazbiz partners LLP	190740017254	Kazakhstan	Person controlled by the same controlling person through an ownership interest		Vsegda Da N.V., Forward leasing LLP (KZ)
Raccom EAD	200625769	Bulgaria	Person controlled by the same controlling person through an ownership interest	from 9 July 2021 until 1 December 2021	Sofia Communications EAD
Radiocompany C.J. OOD	131117650	Bulgaria	Person controlled by the same controlling person through an ownership interest		BTV Media Group AD
RC PROPERTIES S.R.L.	12663031	Romania	Person controlled by the same controlling person through an ownership interest		PPF Real Estate s.r.o.
Real Estate Russia B.V.	63458373	Netherlands	Person controlled by the same controlling person through an ownership interest		PPF Real Estate Holding B.V.
REDLIONE LTD	HE 178 059	Republic of Cyprus	Person controlled by the same controlling person through an ownership interest		Home Credit Group B.V.
REPIENO LIMITED	HE 282 866	Republic of Cyprus	Person controlled by the same controlling person through an ownership interest		PPF Real Estate Holding B.V.
RHASKOS FINANCE LIMITED	HE 316 591	Republic of Cyprus	Person controlled by the same controlling person through an ownership interest		Home Credit Group B.V.

Company	ID / Reg.no.	Incorporated in	Method and means of control	Note	Interest through
Roses Yachts S.L	B17778598	Spain	Person controlled by the same controlling person through an ownership interest	from 30 September 2021	Drem Yacht Charter Balearic, Sociedad Limitada
Saint World Limited	1065677	People's Republic of China	Person controlled by the same controlling person through an ownership interest		Home Credit Group B.V.
SALEMONTA LIMITED	HE 161 006	Republic of Cyprus	Person controlled by the same controlling person through an ownership interest		PPF Real Estate Holding B.V.
Salonica Holding Limited	1949492	British Virgin Islands	Person controlled by the same controlling person through an ownership interest		Renáta Kellnerová
SATACOTO Ltd.	HE 155018	Republic of Cyprus	Person controlled by the same controlling person through an ownership interest		Skoda B.V.
SB JSC Bank Home Credit	513-1900-AO (UI)	Kazakhstan	Person controlled by the same controlling person through an ownership interest		LLC Home Credit & Finance Bank
SCI LA FORET	309844371	France	Person controlled by the same controlling person through an ownership interest		Renáta Kellnerová
SCT Cell Manufacturing s.r.o.	14088266	Czech Republic	Person controlled by the same controlling person through an ownership interest	from 22 December 2021	PPF Biotech B.V.
SCTbio a.s. (formerly SOTIO a.s.)	24662623	Czech Republic	Person controlled by the same controlling person through an ownership interest		PPF Biotech B.V.
Seal House JV a.s.	09170782	Czech Republic	Person controlled by the same controlling person by acting in concert through an ownership interest		PPF Real Estate s.r.o.
Selman Resources Limited	1005589	British Virgin Islands	Person controlled by the same controlling person through an ownership interest		SR Development Limited
SEPTUS HOLDING LIMITED	HE 316 585	Republic of Cyprus	Person controlled by the same controlling person through an ownership interest		Home Credit Group B.V.

Company	ID / Reg.no.	Incorporated in	Method and means of control	Note	Interest through
Seven Assets Holding B.V.	58163050	Netherlands	Person controlled by the same controlling person through an ownership interest		PPF Real Estate Holding B.V.
Shenzhen Home Credit Number One Consulting Co., Ltd.	91440300664174257K	People's Republic of China	Person controlled by the same controlling person through an ownership interest		Home Credit Asia Limited
Shenzhen Home Credit Xinchu Consulting Co., Ltd.	91440300796638527A	People's Republic of China	Person controlled by the same controlling person through an ownership interest		Favour Ocean Limited
SIGURNO LIMITED	HE 172539	Republic of Cyprus	Person controlled by the same controlling person through an ownership interest		Gilbey Holdings Limited
Skoda B.V. (formerly PPF IndustryCo B.V., PPF Beer Topholdco B.V.)	67420427	Netherlands	Person controlled by the same controlling person through an ownership interest		PPF Industrial Holding B.V.
SKODA Transportation Deutschland GmbH	HRD 208 725	Federal Republic of Germany	Person controlled by the same controlling person through an ownership interest		ŠKODA TRANSPORTATION a.s.
Skoda Transportation GmbH (formerly D - Toll Holding GmbH)	HRB 191929 B	Federal Republic of Germany	Person controlled by the same controlling person through an ownership interest		Skoda B.V.
Smart home security s.r.o.	06321399	Czech Republic	Person controlled by the same controlling person through an ownership interest		Bolt Start Up Development a.s.
SNC T 2008	513120949	France	Person controlled by the same controlling person through an ownership interest	from 30 September 2021	Dream Yacht Tahiti
Sofia Communications EAD	130806190	Bulgaria	Person controlled by the same controlling person through an ownership interest	from 9 July 2021	CETIN Bulgaria EAD
SOTIO Biotech a.s.	10900004	Czech Republic	Person controlled by the same controlling person through an ownership interest	from 28 May 2021	Sotio Biotech B.V.

Company	ID / Reg.no.	Incorporated in	Method and means of control	Note	Interest through
SOTIO Biotech AG (formerly Cytune Pharma AG)	CHE-354.429.802	Greece	Person controlled by the same controlling person through an ownership interest		Sotio Biotech B.V.
SOTIO Biotech B.V. (formerly Cytune Pharma B.V.)	80316557	Netherlands	Person controlled by the same controlling person through an ownership interest		PPF Biotech B.V.
SOTIO Biotech Inc. (formerly Sotio Biotech LLC)	EIN 35-2424961	United States of America	Person controlled by the same controlling person through an ownership interest		SOTIO Biotech a.s.
Sotio Medical Research (Beijing) Co. Ltd	110000410283022	People's Republic of China	Person controlled by the same controlling person through an ownership interest		SCTbio a.s.
SOTIO N.V.	34302290	Netherlands	Person controlled by the same controlling person through an ownership interest	until 22 July 2021	PPF Group N.V.
SOTIO Therapeutics AG	CHE-385.585.958	Greece	Person controlled by the same controlling person through an ownership interest		SCTbio a.s.
SR Boats Limited	2016073	British Virgin Islands	Person controlled by the same controlling person through an ownership interest		SR Development Limited
SR Development Limited	1968975	British Virgin Islands	Person controlled by the same controlling person through an ownership interest		Chelton Properties Limited
SR-R Limited	708998	British Virgin Islands	Person controlled by the same controlling person through an ownership interest		SR Development Limited
STEL-INVEST s.r.o.	26238365	Czech Republic	Person controlled by the same controlling person through an ownership interest	until 1 February 2021	CETIN a.s.
Stellar Holding s.r.o.	14005816	Czech Republic	Person controlled by the same controlling person through an ownership interest	from 24 November 2021	PPF Group N.V.
STEPHOLD LIMITED	HE 221 908	Republic of Cyprus	Person controlled by the same controlling person through an ownership interest		PPF Real Estate Holding B.V.

Company	ID / Reg.no.	Incorporated in	Method and means of control	Note	Interest through
STINCTUM HOLDINGS LIMITED	HE 177 110	Republic of Cyprus	Person controlled by the same controlling person through an ownership interest		SALEMONTA LIMITED
Sun Belt Multi I, LLC	20213849720	United States of America	Person controlled by the same controlling person through an ownership interest	from 29 November 2021	PPF Real Estate I, Inc.
Sun Belt Office I Interholdco, LLC	20210215807	United States of America	Person controlled by the same controlling person through an ownership interest	from 25 January 2021	PPF Real Estate I, Inc.
Sun Belt Office I, LLC	20210116384	United States of America	Person controlled by the same controlling person through an ownership interest	from 14 January 2021	Sun Belt Office I Interholdco, LLC
Sun Belt Office II Interholdco, LLC	20213597548	United States of America	Person controlled by the same controlling person through an ownership interest	from 25 October 2021	PPF Real Estate I, Inc.
Sun Belt Office II, LLC	20213597547	United States of America	Person controlled by the same controlling person through an ownership interest	from 25 October 2021	Sun Belt Office II Interholdco, LLC
SUNDOWN FARMS LIMITED	HE 310 721	Republic of Cyprus	Person controlled by the same controlling person by acting in concert through an ownership interest		Vixon Resources Limited, Chelton Properties Limited
SYLANDER CAPITAL LIMITED	HE 316 597	Republic of Cyprus	Person controlled by the same controlling person through an ownership interest		Home Credit Group B.V.
Škoda a.s.	14070421	Czech Republic	Person controlled by the same controlling person through an ownership interest	from 16 December 2021	Skoda B.V.
ŠKODA CITY SERVICE s.r.o.	29119057	Czech Republic	Person controlled by the same controlling person through an ownership interest		ŠKODA TRANSPORTATION a.s.
ŠKODA DIGITAL s.r.o.	01731530	Czech Republic	Person controlled by the same controlling person through an ownership interest		ŠKODA TRANSPORTATION a.s.
ŠKODA EKOVA a.s.	28642457	Czech Republic	Person controlled by the same controlling person through an ownership interest	from 2 August 2021	ŠKODA TRANSPORTATION a.s.

Company	ID / Reg.no.	Incorporated in	Method and means of control	Note	Interest through
ŠKODA ELECTRIC a.s.	47718579	Czech Republic	Person controlled by the same controlling person through an ownership interest		ŠKODA TRANSPORTATION a.s.
ŠKODA ICT s.r.o.	27994902	Czech Republic	Person controlled by the same controlling person through an ownership interest		ŠKODA INVESTMENT a.s.
ŠKODA INVESTMENT a.s.	26502399	Czech Republic	Person controlled by the same controlling person through an ownership interest		Skoda B.V.
ŠKODA PARS a.s. (formerly Pars nova a.s.)	25860038	Czech Republic	Person controlled by the same controlling person through an ownership interest		ŠKODA TRANSPORTATION a.s.
ŠKODA POLSKA Sp.z o.o.	NIP 7010213385	Poland	Person controlled by the same controlling person through an ownership interest		ŠKODA TRANSPORTATION a.s.
ŠKODA RAIL s.r.o.	05822149	Czech Republic	Person controlled by the same controlling person through an ownership interest	until 1 January 2021	ŠKODA TRANSPORTATION a.s.
ŠKODA SERVIS s.r.o.	26351277	Czech Republic	Person controlled by the same controlling person through an ownership interest		ŠKODA INVESTMENT a.s.
ŠKODA TRANSPORTATION a.s.	62623753	Czech Republic	Person controlled by the same controlling person through an ownership interest		Skoda B.V.
Škoda Transportation Balkan d.o.o.	21736473	Serbia	Person controlled by the same controlling person through an ownership interest	from 19 November 2021	ŠKODA TRANSPORTATION a.s.
ŠKODA TRANSPORTATION UKRAINE, LLC	42614252	Ukraine	Person controlled by the same controlling person through an ownership interest		ŠKODA TRANSPORTATION a.s.
Škoda Transportation USA, LLC	81-257769	United States of America	Person controlled by the same controlling person through an ownership interest		ŠKODA TRANSPORTATION a.s.
ŠKODA TRANSTECH OY	1098257-0	Finland	Person controlled by the same controlling person through an ownership interest		ŠKODA TRANSPORTATION a.s.

Company	ID / Reg.no.	Incorporated in	Method and means of control	Note	Interest through
ŠKODA TVC s.r.o.	25247964	Czech Republic	Person controlled by the same controlling person through an ownership interest		ŠKODA TRANSPORTATION a.s.
ŠKODA VAGONKA a.s.	25870637	Czech Republic	Person controlled by the same controlling person through an ownership interest		ŠKODA TRANSPORTATION a.s.
TALPA ESTERO LIMITED	HE 316 502	Republic of Cyprus	Person controlled by the same controlling person through an ownership interest		Home Credit Group B.V.
TANAINA HOLDINGS LIMITED	HE318483	Republic of Cyprus	Person controlled by the same controlling person through an ownership interest		TOLESTO LIMITED
Tanemo a.s.	9834273	Czech Republic	Person controlled by the same controlling person through an ownership interest	from 18 January 2021	PPF Group N.V.
Te Arearea	07295C	France	Person controlled by the same controlling person through an ownership interest	from 30 September 2021	Archipels Croisières
Telenor Bulgaria EAD	130460283	Bulgaria	Person controlled by the same controlling person through an ownership interest		PPF TMT Bidco 1 B.V.
Telenor Common Operation Ztr.	13-10-041370	Hungary	Person controlled by the same controlling person through an ownership interest	until 26 July 2021	CETIN Group N.V.
Telenor d.o.o. Beograd	20147229	Serbia	Person controlled by the same controlling person through an ownership interest		PPF TMT Bidco 1 B.V.
Telenor d.o.o. Podgorica	50017124	Montenegro	Person controlled by the same controlling person through an ownership interest	until 21 December 2021	PPF TMT Bidco 1 B.V.
Telenor Magyarország Zrt.	13-10-040409	Hungary	Person controlled by the same controlling person through an ownership interest		TMT Hungary B.V.
Telenor Real Estate Hungary Ztr.	13-10-041060	Hungary	Person controlled by the same controlling person through an ownership interest		TMT Hungary B.V.

Company	ID / Reg.no.	Incorporated in	Method and means of control	Note	Interest through
TELISTAN LIMITED	HE 341 864	Republic of Cyprus	Person controlled by the same controlling person through an ownership interest		PPF Real Estate s.r.o.
Temsa Deutschland GmbH	DE256871263	Federal Republic of Germany	Person controlled by the same controlling person by acting in concert through an ownership interest		Temsa Skoda Sabancı Ulaşım Araçları A.Ş.
TEMSA EGYPT for Bus Manufacturing & Engineering SAE	3028	Egypt	Person controlled by the same controlling person by acting in concert through an ownership interest		Temsa Skoda Sabancı Ulaşım Araçları A.Ş.
Temsa North America, INC.	83-1118821	United States of America	Person controlled by the same controlling person by acting in concert through an ownership interest		Temsa Skoda Sabancı Ulaşım Araçları A.Ş.
Temsa Skoda Sabancı Ulaşım Araçları A.Ş. (formerly Temsa Ulaşım Araçları San. ve Tic. A.Ş.)	8380046749	Turkey	Person controlled by the same controlling person by acting in concert through an ownership interest		Skoda B.V.
Tesco Mobile ČR s.r.o.	29147506	Czech Republic	Person controlled by the same controlling person through an ownership interest		O2 Czech Republic a.s., Tesco Stores ČR a.s.
Tesco Mobile Slovakia, s.r.o.	36863521	Slovak Republic	Person controlled by the same controlling person through an ownership interest		O2 Slovakia, s. r. o.
TFR SAS	FR 27 878443936	France	Person controlled by the same controlling person by acting in concert through an ownership interest		Temsa Skoda Sabancı Ulaşım Araçları A.Ş.
The Culture Trip (USA) Ltd.	5908200	United States of America	Person controlled by the same controlling person through an ownership interest		The Culture Trip Ltd
The Culture Trip Ltd	7539023	United Kingdom of Great Britain and Northern Ireland	Person controlled by the same controlling person through an ownership interest		The Culture Trip Sàrl.

Company	ID / Reg.no.	Incorporated in	Method and means of control	Note	Interest through
The Culture Trip Sarl.	B220626	Luxembourg	Person controlled by the same controlling person through an ownership interest		Vox Ventures B.V.
Tianjin Home Credit E-commerce Co., Ltd.	91120116MA075WF70G	People’s Republic of China	Person controlled by the same controlling person through an ownership interest		Shenzhen Home Credit Xinchi Consulting Co., Ltd.
TIMEWORTH HOLDINGS LTD.	HE 187 475	Republic of Cyprus	Person controlled by the same controlling person through an ownership interest		PPF Group N.V.
TMT Hungary B.V.	75752824	Netherlands	Person controlled by the same controlling person through an ownership interest		PPF TMT Bidco 1 B.V.
TMT Hungary Infra B.V.	81357397	Netherlands	Person controlled by the same controlling person through an ownership interest		CETIN Group N.V.
TOLESTO LIMITED	HE 322 834	Republic of Cyprus	Person controlled by the same controlling person through an ownership interest		PPF Real Estate Holding B.V., PPF CYPRUS RE MANAGEMENT LIMITED
Trigon II B.V.	56068948	Netherlands	Person controlled by the same controlling person through an ownership interest		PPF Real Estate Holding B.V.
Trilogy Park Holding B.V.	60006609	Netherlands	Person controlled by the same controlling person through an ownership interest		PPF Real Estate Holding B.V.
Trilogy Park Nizhny Novgorod Holding B.V.	67330355	Netherlands	Person controlled by the same controlling person through an ownership interest		PPF Real Estate Holding B.V.
TV Bidco B.V.	75994437	Netherlands	Person controlled by the same controlling person through an ownership interest		TV Holdco B.V.
TV Holdco B.V.	75983613	Netherlands	Person controlled by the same controlling person through an ownership interest		PPF TMT Bidco 2 B.V.
TV Nova s.r.o.	45800456	Czech Republic	Person controlled by the same controlling person through an ownership interest		CME Media Enterprises B.V.

Company	ID / Reg.no.	Incorporated in	Method and means of control	Note	Interest through
Usconfin 1 DAC	619282	Martinique	Person controlled by the same controlling person through an ownership interest		PPF Financial Holdings a.s.
VELTHEMIA LIMITED	HE 282 891	Republic of Cyprus	Person controlled by the same controlling person through an ownership interest		REPIENO LIMITED
Velvon GmbH	HRB 239796	Federal Republic of Germany	Person controlled by the same controlling person through an ownership interest		AB-X Projekt GmbH
Vents de Mer	432981934	France	Person controlled by the same controlling person through an ownership interest	from 30 September 2021	Lacani
VGBC Limited	700080	British Virgin Islands	Person controlled by the same controlling person through an ownership interest		Chelton Properties Limited
VGMC Limited	709492	British Virgin Islands	Person controlled by the same controlling person through an ownership interest		ESK Developments Limited
Vixon Resources Limited	144 18 84	British Virgin Islands	Person controlled by the same controlling person by acting in concert through an ownership interest		Renáta Kellnerová
Vox Ventures B.V.	65879554	Netherlands	Person controlled by the same controlling person through an ownership interest		PPF Group N.V.
Vsegda Da N.V.	52695689	Netherlands	Person controlled by the same controlling person through an ownership interest		Home Credit N.V., Forward leasing LLP (KZ)
VÚKV a.s.	45274100	Czech Republic	Person controlled by the same controlling person through an ownership interest		Skoda B.V.
Wagnerford Holdings Limited	HE 210154	Republic of Cyprus	Person controlled by the same controlling person through an ownership interest		MP Holding 2 B.V.
Wagnerford LLC	5087746372819	Russian Federation	Person controlled by the same controlling person through an ownership interest		Wagnerford Holdings Limited

Company	ID / Reg.no.	Incorporated in	Method and means of control	Note	Interest through
West Hillside Limited	1582181	British Virgin Islands	Person controlled by the same controlling person through an ownership interest		Chelton Properties Limited
West Logistics Park LLC (WLP)	35093235	Ukraine	Person controlled by the same controlling person through an ownership interest		Izotrem Investments Limited
Westminster JV a.s.	05714354	Czech Republic	Person controlled by the same controlling person by acting in concert through an ownership interest		PPF Real Estate s.r.o.
Wilhelminaplein (Rotterdam) B.V.	59494034	Netherlands	Person controlled by the same controlling person through an ownership interest		PPF Real Estate Holding B.V.
Ziza d.o.o za trgovinu, ugostiteljstvo, turizam i promet	060159616	Croatia	Person controlled by the same controlling person through an ownership interest	from 30 September 2021	Marina Zaton d.o.o. za nauticki turizam i usluge



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