PPF Telecom Group B.V.

Condensed consolidated interim financial statements
for the six months ended 30 June 2020

Review report

To: the Board of Directors of PPF Telecom Group B.V.

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements for the six months ended 30 June 2020 of PPF Telecom Group B.V., Amsterdam, which comprises the condensed consolidated interim income statement and other comprehensive income for six months period ended 30 June 2020, the condensed consolidated interim statement of financial position as at 30 June 2020, the condensed consolidated interim statements of changes in equity and cash flows for six months period ended 30 June 2020, and the notes, comprising a summary of the significant accounting policies and other explanatory information. The Board of Directors of the Company is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope

We conducted our review in accordance with Dutch law including standard 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Dutch Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements as at 30 June 2020 are not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

Amstelveen, 24 August 2020

KPMG Accountants N.V.

F.A.M. Croiset van Uchelen RA

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Glossary

CAPEX	- capital expenditure
CEE	- Central and Eastern Europe
CF	- cash-flow
CGU	- cash generating unit
EBIT	- earnings before interest and taxes
EBITDA	- earnings before interest, tax, depreciation and amortisation
ECL	- expected credit loss
FVOCI	- fair value through other comprehensive income
FVTPL	- fair value through profit or loss
NCI	- non-controlling interests
OCI	- other comprehensive income
PPE	- property, plant and equipment
ROU	- right of use assets

Condensed consolidated interim income statement and other comprehensive income

For the six months ended 30 June

In millions of EUR

	Notes	2020	2019
Revenue	E1	1,545	1,507
Other income from non-telecommunication services	E1	5	4
Operating expenses	E2	(850)	(836)
Net gain from sale of investments in subsidiaries		-	1
Earnings before impairment loss, interest, tax, depreciation and amortisation (EBITDA)		**700**	**676**
Depreciation and amortisation	E.3	(334)	(349)
Amortisation of costs to obtain a contract	E1.3	(25)	(23)
Impairment loss		(3)	(4)
Operating profit (EBIT)		**338**	**300**
Finance income	E4	2	11
Finance expenses	E4	(65)	(114)
PROFIT BEFORE TAX		**275**	**197**
Income tax expense	E5	(56)	(50)
NET PROFIT FOR THE PERIOD		**219**	**147**
Other comprehensive income*			
Currency translation differences		(162)	14
Cash flow hedge – effective portion of changes in fair value		4	(6)
Cash flow hedge - net amount transferred to the income statement		(27)	6
Income tax related to components of OCI		3	-
Other comprehensive income, net of tax		**(182)**	**14**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**37**	**161**
Profit attributable to:			
Owners of the Parent		180	117
Non-controlling interests		39	30
Profit for the period		**219**	**147**
Total comprehensive income attributable to:			
Owners of the Parent		30	131
Non-controlling interests		7	30
Total comprehensive income for the period		**37**	**161**

*Items that are or may be reclassified to the income statement.

Condensed consolidated interim statement of financial position

In millions of EUR

	Note	30 June 2020	31 December 2019
ASSETS			
Property, plant and equipment	E6	2,424	2,555
Intangible assets	E8	1,726	1,810
Goodwill	E8.1	1,547	1,603
Right-of-use assets	E7	492	523
Trade and other receivables	E9.1	46	52
Other financial assets	E9	7	14
Contract assets	E10	18	18
Costs to obtain a contract	E1.3	38	41
Deferred tax assets		4	5
Other assets	E11	22	22
Non-current assets		**6,324**	**6,643**
Trade and other receivables	E9.1	501	571
Other financial assets	E9	7	6
Contract assets	E10	52	63
Costs to obtain a contract	E1.3	13	12
Inventories		72	76
Current income tax receivables		2	5
Cash and cash equivalents	E12	1,184	795
Other assets	E11	67	44
Current assets		**1,898**	**1,572**
TOTAL ASSETS		**8,222**	**8,215**
LIABILITIES			
Due to banks	E13	1,644	1,867
Debt securities issued	E14	2,546	1,855
Financial liabilities at fair value through profit or loss	C.2	59	72
Deferred tax liabilities		374	407
Lease liabilities		409	448
Trade and other payables	E15	13	25
Contract liabilities	E10	53	61
Provisions	E16	44	48
Non-current liabilities		**5,142**	**4,783**
Due to banks	E13	21	272
Debt securities issued		18	14
Financial liabilities at fair value through profit or loss	C.2	1	-
Current income tax liability		29	8
Lease liabilities		83	78
Trade and other payables	E15	662	737
Contract liabilities	E10	48	47
Provisions	E16	9	15
Current liabilities		**871**	**1,171**
TOTAL LIABILITIES		**6,013**	**5,954**
EQUITY			
Issued capital*	E17	-	-
Share premium	E17	1,417	1,417
Other reserves	E18	(136)	14
Retained earnings		487	285
Total equity attributable to owners of the Parent		1,768	1,716
Non-controlling interests	E19	441	545
Total equity		**2,209**	**2,261**
TOTAL LIABILITIES AND EQUITY		**8,222**	**8,215**

*Issued capital is TEUR 1.

Condensed consolidated interim statement of changes in equity

In millions of EUR, for the six months ended 30 June 2020

	Issued capital*	Share premium	Legal and statutory reserves	Translation reserve	Hedging reserve	Retained earnings	Attributable to owners of the Parent	Attributable to non-controlling interests	Total
Balance as at 1 January 2020	**-**	**1,417**	**6**	**(9)**	**17**	**285**	**1,716**	**545**	**2,261**
Profit for the period	-	-	-	-	-	180	180	39	219
Currency translation differences	-	-	-	(133)	-	-	(133)	(29)	(162)
Effect of hedge accounting	-	-	-	-	7	-	7	(3)	4
Net change in fair value of CF hedges transferred to income statement	-	-	-	-	(27)	-	(27)	-	(27)
Income tax related to components of OCI	-	-	-	-	3	-	3	-	3
Total comprehensive income	**-**	**-**	**-**	**(133)**	**(17)**	**180**	**30**	**7**	**37**
Dividends to NCI	-	-	-	-	-	-	-	(74)	(74)
Distributions to NCI	-	-	-	-	-	-	-	(14)	(14)
Other changes in NCI (refer to E.19)	-	-	-	-	-	23	23	(23)	-
Other	-	-	-		-	(1)	(1)	-	(1)
Total transactions with owners of the Parent	**-**	**-**	**-**	**-**	**-**	**22**	**22**	**(111)**	**(89)**
Balance as at 30 June 2020	**-**	**1,417**	**6**	**(142)**	**-**	**487**	**1,768**	**441**	**2,209**

*Issued capital is TEUR 1.

In millions of EUR, for the six months ended 30 June 2019

	Issued capital*	Share premium	Legal and statutory reserves	Translation reserve	Hedging reserve	Retained earnings	Attributable to owners of the Parent	Attributable to non-controlling interests	Total
Balance as at 31 December 2018	**-**	**1,341**	**6**	**75**	**19**	**394**	**1,835**	**328**	**2,163**
Effect of change in functional currency (refer to A.6.)	-	76	-	(84)	-	8	-	-	-
Adjusted balance as at 1 January 2019	**-**	**1,417**	**6**	**(9)**	**19**	**402**	**1,835**	**328**	**2,163**
Profit for the period	-	-	-	-	-	117	117	30	147
Currency translation differences	-	-	-	14	-	-	14	-	14
Effect of hedge accounting	-	-	-	-	(6)	-	(6)	-	(6)
Net change in fair value of CF hedges transferred to income statement	-	-	-	-	6	-	6	-	6
Total comprehensive income	**-**	**-**	**-**	**14**	**-**	**117**	**131**	**30**	**161**
Dividends to shareholders	-	-	-	-	-	(120)	(120)	-	(120)
Dividends to NCI	-	-	-	-	-	-	-	(74)	(74)
Distributions to NCI	-	-	-	-	-	-	-	(13)	(13)
Total transactions with owners of the Parent	**-**	**-**	**-**	**-**	**-**	**(120)**	**(120)**	**(87)**	**(207)**
Balance as at 30 June 2019	**-**	**1,417**	**6**	**5**	**19**	**399**	**1,846**	**271**	**2,117**

*Issued capital is TEUR 1.

Condensed consolidated interim statement of cash flows

For the six months ended 30 June, prepared using the indirect method

In millions of EUR

	Notes	2020	2019
Cash flows from operating activities			
Profit before tax		275	197
Adjustments for:			
Depreciation and amortisation		334	349
Amortisation of costs to obtain a contract		25	23
Impairment losses on current and non-current assets		2	9
(Profit)/loss on sale of investment securities		1	-
Net finance costs		58	62
Net foreign exchange losses		82	23
Other (income)/expenses not involving movement of cash		(22)	42
Net operating cash flow before changes in working capital		**755**	**705**
Interest received		1	8
Change in inventories		(3)	(1)
Change in receivables due from banks		4	(2)
Change in trade and other receivables		75	(10)
Change in contract assets		12	2
Change in other assets		(15)	(11)
Change in costs to obtain a contract		(25)	(26)
Change in trade and other payables		(97)	(93)
Change in provisions		(8)	9
Cash generated from operating activities		**699**	**581**
Income tax paid		(45)	(65)
Net cash from operating activities		**654**	**516**
Cash flows from investing activities			
Purchase of PPE and intangible assets		(310)	(197)
Proceeds from sale of investment securities		-	174
Net cash used in investing activities		**(310)**	**(23)**
Cash flows from financing activities			
Proceeds from the issue of debt securities		700	543
Proceeds from loans due to banks		103	189
Repayment of loans due to banks		(545)	(573)
Net payment on settlement of derivatives		(11)	-
Interest paid		(44)	(33)
Cash payments for principal portion of lease liability		(53)	(41)
Dividends paid to shareholders		-	(120)
Dividends paid to NCI		(72)	(10)
Distributions to NCI		(14)	-
Cash flow from/(used in) financing activities		**64**	**(45)**
Net increase in cash and cash equivalents		**408**	**448**
Cash and cash equivalents as at 1 January		**795**	**262**
Effect of exchange rate changes on cash and cash equivalents		(19)	1
Cash and cash equivalents as at 30 June		**1,184**	**711**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

A. General

A.1. Description of the Group

PPF Telecom Group B.V. (the "Parent Company" or the "Parent") is a limited liability company incorporated in the Netherlands since 16 October 2013. On 2 January 2018, PPF Group N.V. ("PPF Group") contributed its 100% share in the Parent Company to PPF TMT Holdco 1 B.V. At the same date, PPF TMT Holdco 1 B.V. contributed the shares of PPF Telecom Group B.V. to PPF TMT Holdco 2 B.V., making it a direct shareholder of the Parent Company. PPF Group N.V. remains the ultimate parent of the Parent Company, and Mr. Petr Kellner is the ultimate controlling party.

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

The Parent is the holder of several significant investments: O2 Czech Republic group (hereinafter also as "O2 CR"), a telecommunication operator providing a range of mobile, fixed voice and data services in the Czech Republic and mobile voice and data services in Slovakia; CETIN a.s. (formerly Česká telekomunikační infrastruktura a.s.), the largest Czech owner and provider of mobile and fixed telco infrastructures; and Telenor CEE group, a mobile telecommunication operator providing services in Hungary, Bulgaria, Serbia and Montenegro. Shares of O2 Czech Republic are traded on the Prague Stock Exchange.

The condensed consolidated interim financial statements of the Parent Company for the six month period ended 30 June 2020 comprise the Parent Company and its subsidiaries (together referred to the "Group") and the Group's interests in associates, joint ventures and affiliated entities. Refer to Section B of these consolidated financial statements for a list of significant Group entities and changes to the Group in 2020 and 2019.

A.2. Statement of compliance

The condensed consolidated interim financial statements were authorised for issue by the Board of Directors on 24 August 2020.

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. Selected explanatory notes are included to explain events and transactions that are significant to understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2019. These condensed consolidated interim financial statements do not include all the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards as endorsed by the European Union (IFRS-EU).

A.3. Basis of measurement

The condensed consolidated interim financial statements have been prepared on a historical cost basis, except for the following assets and liabilities stated at their fair value: derivative financial instruments, financial instruments designated upon initial recognition as financial instruments at fair value through profit or loss, and financial instruments at fair value through other comprehensive income. Financial assets and liabilities as well as non-financial assets and liabilities measured at historical cost are stated at amortised cost using the effective interest method or historical cost, as appropriate, net of any relevant impairment.

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

The Group accounts for business combinations using the acquisition method when control is transferred to the Group (refer to A.5). The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

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

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

A.4. Use of judgements and estimates

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

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

The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

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

- the fair value of tangible and intangible assets identified during the purchase price allocation exercise and initial value of goodwill for each business combination (refer to B) and its subsequent impairment testing (refer to E.8)
- useful life of tangible and intangible fixed assets

- provisions recognised under liabilities (refer to E.16)
- impairment of trade receivables and contract assets (refer to E.9.1, E.10)
- commissions as costs to obtain contracts with customers (refer to E.1.3)
- stand-alone selling prices
- lease-term for the lessee accounting whether the Group is reasonably certain to exercise extension options
- contingent assets/liabilities (refer to E.20)

Useful life of fixed assets

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

Provisions and contingent liabilities

As set out in section E.20, the Group is a participant in several lawsuits and administrative proceedings, including those related to its pricing policies. For every litigation and administrative proceeding, it is necessary to estimate the occurrence probability of the liability, its amount and the moment of its occurrence. Provisions are recognised only when it is probable that the Group will be forced to pay a present obligation in 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 wholly within the control of the Group.

Impairment of trade receivables and contract assets

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

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 according to the customer segments of the Group that include resident customers, entrepreneurs and medium and large corporate clients.

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.

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 to be the stand-alone selling prices.

A.5. Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of another entity so as to obtain benefits from its activities. In assessing control, potential voting rights presently exercisable or convertible are taken into consideration. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of the subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Associates are entities in which the Group has significant influence but not control over financial and operating policies. Jointly controlled entities are entities over whose activities the Group has joint control established by a contractual agreement. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates and jointly controlled entities on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds the carrying amount of the associate or jointly controlled entity, the carrying amount is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate or jointly controlled entity.

Reorganisations and mergers involving companies under common control are accounted for using consolidated net book values. Consequently, no adjustment is made to carrying amounts in the consolidated accounts and no goodwill arises on such transactions.

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

All intra-Group balances, transactions, income and expenses, unrealised gains and losses, and dividends are eliminated in the preparation of the consolidated financial statements.

A.6. Presentation and functional currency

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

The functional currency of O2 Czech Republic and CETIN is CZK. The functional currencies of the Telenor CEE operations correspond to the country of origin: HUF for Hungary, BGN for Bulgaria, RSD for Serbia and EUR for Montenegro. TMT Hungary, the holding company based in the Netherlands, has HUF as functional currency.

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

On 11 March 2020, the World Health Organisation declared the Coronavirus Covid 19 outbreak to be a pandemic in recognition of its rapid spread across the globe, with over 150 countries now affected. Many governments are taking increasingly stringent steps to help contain, and in many jurisdictions, now delay, the spread of the virus, including: requiring self isolation/quarantine by those potentially affected, implementing social distancing measures, and controlling or closing borders and "locking down" cities/regions or even entire countries.

These measures will slow down the world economies including countries where Group operates but are not expected to affect the operations of the Group significantly. Telecommunications sector, including fixed and mobile retail services provision, is proving its resilient infrastructure nature, since it is clearly indispensable for the society just as utilities, healthcare and food supplies are. Demand for services provided by the Group remained stable, not affected by the pandemic. The Group has been impacted by the decline in international revenues (roaming and voice wholesale), which in total are not material to the Group profitability and fully compensated by strict operational cost control.

B. The consolidated group and main changes for the period

B.1. Group entities

The following list only shows the significant holding and operating entities that are subsidiaries of the Parent Company as of 30 June 2020 and 31 December 2019.

Company	Domicile	Effective proportion of ownership interest	
		30 June 2020	31 Dec. 2019
PPF Telecom Group B.V. *(formerly PPF Arena 1 B.V.)*	Netherlands	Parent Company	Parent Company
CETIN a.s. *(formerly Česká telekomunikační infrastruktura a.s.)*	Czech Republic	89.73%	89.73%
CETIN Finance B.V.	Netherlands	89.73%	89.73%
CETIN Group B.V. *(formerly PPF Infrastructure B.V.)*	Netherlands	100.00%	100.00%
O2 Czech Republic a.s.*	Czech Republic	67.83%	67.83%
O2 IT Services s.r.o.	Czech Republic	67.83%	67.83%
O2 Slovakia, s.r.o.	Slovakia	67.83%	67.83%
PPF Telco B.V.	Netherlands	100.00%	100.00%
PPF TMT Bidco 1 B.V.	Netherlands	100.00%	100.00%
Telenor Bulgaria EAD	Bulgaria	100.00%	100.00%
Telenor Common Operation Zrt.	Hungary	100.00%	100.00%
Telenor d.o.o. Beograd	Serbia	100.00%	100.00%
Telenor d.o.o. Podgorica	Montenegro	100.00%	100.00%
Telenor Magyarország Zrt.	Hungary	75.00%	75.00%
Telenor Real Estate Hungary Zrt.	Hungary	75.00%	75.00%
TMT Hungary B.V.	Netherlands	75.00%	75.00%

*as at 30 June 2020 and 31 December 2019, due to the existence of treasury shares held by O2 Czech Republic a.s., the direct stake in the registered capital of this company is 65.79%.

As at 30 June 2020 and 31 December 2019, PPF Group N.V. holds a 100% stake in CETIN a.s. and an 83.57% effective stake in O2 Czech Republic a.s.

B.2. Significant changes in the Group structure in 2020 and 2019

There were neither any acquisitions nor disposals in the period ended 30 June 2020.

B.2.1. Sale of 25% shareholding in Telenor Hungary (in 2019)

In October 2019, the Group sold a 25% share in TMT Hungary B.V. to a third party, which resulted in the decrease of the Group's effective ownership in TMT Hungary B.V. from 100% to 75%. TMT Hungary B.V. was founded in September 2019 as a new holding company for the Group's businesses in Hungary – Telenor Magyarország Zrt. and Telenor Real Estate Hungary Zrt.

The following table summarises the financial aspects of the above described transaction:

In millions of EUR

Total net consideration	303
Net effective ownership in Telenor Hungary decreased	25%
Net asset value attributable to non-controlling interests sold	242
Effect recorded in equity attributable to equity owners of the Parent (gain)	61

B.3. Other changes

B.3.1. Share buy-back programme in O2 CR

In 2016, O2 CR commenced the acquisition of its own shares on the regulated market organised by the Prague Stock Exchange, under the conditions published in connection with the approval of the share buy-back programme on the regulated market in December 2015. Until 31 December 2017, it acquired a total of 8.7 million treasury shares for the total acquisition price of MEUR 86. During the second half of 2019, O2 CR acquired an additional 0.6 million shares for MEUR 5.6, increasing the Group's effective share from 67.69% to 67.83%. There was no change in treasury shares during first half of 2020.

C. Risk exposures, risk management objectives and procedures

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2019. The Group uses either derivative financial instruments or non-derivative instruments (such as cash instruments) to hedge certain exposures. The Group does not conduct any speculative trading activities.

During the interim period there were no significant changes in the nature or extent of risks arising from financial instruments. There were no significant transactions influencing liquidity position of the Group.

C.1. Hedging

Since the acquisition of the Telenor businesses the Group has been hedging cash flows arising from long-term debt denominated in EUR and CZK and entered into at the Parent Company level. A majority of the debt carries floating interest rates and the hedge is designed to prevent the variability of corresponding interest payments due to market factors. In addition, the Group started to hedge its foreign currency risk exposure resulting from expected dividend inflows denominated in HUF. The hedging instruments used are a combination of several interest rate swaps denominated in EUR and CZK as well as several EUR/HUF cross currency swaps and foreign exchange forward contracts. Cash flows from the hedging instruments are scheduled in regular intervals until July 2024 to match the contractual interest payments and expected dividend receipts. The Group does not apply hedge accounting for these hedge instruments.

The O2 CR subgroup has been hedging cash flows arising from long-term debt denominated in CZK with a floating interest rate to hedge interest rate risk. The used hedging instrument is a combination of several interest rate swaps denominated in CZK. During the period ended 30 June 2020, the O2 CR subgroup entered in new interest rate swap contracts with the purpose of hedging part of expected payments from a new loan until May 2025. The Group applies hedge accounting for these hedge instruments.

The CETIN subgroup uses cross currency swaps to hedge cash flows arising from debt securities denominated in EUR (annual interest payments and repayment of nominal at maturity of the debt security). The Group applies hedge accounting for these hedge instruments.

In 2020 and 2019, the cash flow hedges of O2 CR and CETIN were effective and no ineffectiveness was recognised in profit or loss.

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

C.2. Fair value of financial assets and liabilities

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

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

Level 2: 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 using inputs that have a significant effect on the recorded fair value and are not based on observable market data.

As at 30 June 2020 and 31 December 2019, the Group presented foreign exchange forwards, cross currency swaps, foreign exchange swaps and interest rate swap contracts classified as Level 2 financial instruments measured at fair value. The fair value of derivative financial instruments is calculated based on discounted cash flow models (using market rates).

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 a variable interest rate.

The fair value was calculated based on 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 own credit risk.

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

The following table presents an analysis of financial instruments recorded at fair value, broken down by how the fair value calculation is accomplished: i.e., based on quoted market prices (Level 1); calculated using valuation techniques where all the model inputs are observable in the market (Level 2); or calculated using valuation techniques where significant model inputs are not observable in the market (Level 3):

In millions of EUR, as at 30 June 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVOCI	-	-	2	2
Financial liabilities at FVTPL	-	(60)	-	(60)
Total	**-**	**(60)**	**2**	**(58)**

In millions of EUR, as at 31 December 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	-	1	1	2
Financial assets at FVOCI	-	-	2	2
Financial liabilities at FVTPL	-	(72)	-	(72)
Total	**-**	**(71)**	**3**	**(68)**

C.3. Capital management

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

To achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets the financial covenants attached to interest-bearing loans and borrowings. Any breaches in meeting the financial covenants would permit lenders to call loans and borrowings, subject to the Group not being able to remedy the breach. There have been no breaches of the financial covenants of any interest-bearing loans and borrowings in the current period. The PPF facilities agreement financial covenants remained unchanged during the six months ended 30 June 2020 from those disclosed in the consolidated financial statements as at and for the year ended 31 December 2019.

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

The Group is not subject to any externally imposed regulatory capital requirements. No changes were made in the objectives, policies or processes for managing capital during the six months ended 30 June 2020 and the year ended 31 December 2019.

D. Segment reporting

The Group recognises reportable segments that are defined in both geographical and sector terms. The Group's Board of Directors and shareholder (the Chief Operating Decision Maker) review the internal management reports of individual segments on a regular basis.

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

Reportable segment	Operations	Geographic focus
CETIN	Wholesale telecommunication services (mobile, fixed and data services) to other telco operators and international transit	Czech Republic
O2 Czech Republic	Fixed and mobile telecommunication and data services	Czech Republic
O2 Slovak Republic	Mobile telecommunication and data services	Slovak Republic
Telenor Hungary	Mobile telecommunication and data services	Hungary
Telenor Bulgaria	Mobile telecommunication and data services	Bulgaria
Telenor Serbia & MNE	Mobile telecommunication and data services	Serbia and Montenegro

The Telenor Serbia and Montenegro segment comprises two individual businesses units with a common management and business strategy.

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

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Inter-segment pricing is determined on an arm's length basis. Segment assets and liabilities include all assets and liabilities attributable to segments. Significant non-cash expenses comprise mainly impairment losses on trade and other receivables, impairment losses on property, plant and equipment and impairment losses on other assets. Eliminations represent intercompany balances among individual reporting segments.

The total segment revenue for the six months ended 30 June 2020 amounting to MEUR 1,545 (30 June 2019: MEUR 1,507) represents revenues from external customers as presented in income statement under Revenue caption.

The revenues reported include revenue from contracts with customers, comprising service and equipment revenues as well as other revenue items including interest revenue arising from Group's ordinary transactions with a significant financing component (refer to E.1.1).

The Group does not have a major customer or an individual customer with revenue exceeding 10% of total segment revenue.

In millions of EUR

30 June 2020	CETIN	O2 Czech Republic	O2 Slovak Republic	Telenor Hungary	Telenor Bulgaria	Telenor Serbia & MNE	Unallocated segment	Eliminations	**Consolidated**
Revenue from external customers	171	593	136	249	188	207	1	-	1,545
Inter-segment revenue	195	11	2	1	2	5	13	(229)	-
Total revenue	**366**	**604**	**138**	**250**	**190**	**212**	**14**	**(229)**	**1,545**
Services/Products (over time)	366	557	118	216	154	170	14	(229)	1,366
Services/Products (at a point in time)	-	47	20	34	36	42	-	-	179
Major service/products lines:							-		
Mobile originated revenue	-	378	132	237	187	204	-	(14)	1,124
Fixed originated revenue	-	226	6	-	-	2	-	(1)	233
International transit revenue	139	-	-	-	-	3	-	(14)	128
Other wholesale revenue	227	-	-	6	3	3	-	(186)	53
Other sales	-	-	-	7	-	-	14	(14)	7
Total revenue	**366**	**604**	**138**	**250**	**190**	**212**	**14**	**(229)**	**1,545**
Other income from non-telecommunication services	3	2	-	-	-	1	1	(2)	5
Operating expenses	(209)	(425)	(77)	(140)	(94)	(116)	(15)	226	(850)
EBITDA	**160**	**181**	**61**	**110**	**96**	**97**	**-**	**(5)**	**700**
Depreciation and amortisation	(87)	(90)	(30)	(50)	(38)	(43)	(1)	5	(334)
Amortisation of costs to obtain a contract	-	(8)	(3)	(3)	(6)	(5)	-	-	(25)
Impairment loss	-	-	-	(2)	-	(1)	-	-	(3)
EBIT	**73**	**83**	**28**	**55**	**52**	**48**	**(1)**	**-**	**338**
Finance income*	(8)	1	-	(2)	-	-	12	(1)	2
Finance expense	(9)	(9)	(2)	(5)	(1)	(4)	(37)	2	(65)
Profit for the period before tax	**56**	**75**	**26**	**48**	**51**	**44**	**(26)**	**1**	**275**
Income tax expense	(12)	(16)	(6)	(9)	(5)	(6)	(2)	-	(56)
Profit for the period	**44**	**59**	**20**	**39**	**46**	**38**	**(28)**	**1**	**219**
Capital expenditure	(63)	(21)	(18)	(122)	(13)	(17)	-	2	(252)
Other significant non-cash expenses	(2)	(7)	(2)	(2)	(1)	(2)	-	-	(16)
30 June 2020									
Segment assets	2,334	1,839	591	1,139	797	1,061	1,018	(557)	8,222
Segment liabilities	1,546	959	324	324	173	188	2,829	(330)	6,013
Segment equity	**788**	**880**	**267**	**815**	**624**	**873**	**(1,811)**	**(228)**	**2,209**

*Finance income is impacted by net currency losses of some segments

In millions of EUR

30 June 2019	CETIN	O2 Czech Republic	O2 Slovak Republic	Telenor Hungary	Telenor Bulgaria	Telenor Serbia & MNE	Unallocated segment	Eliminations	**Consolidated**
Revenue from external customers	141	591	143	254	182	196	-	-	1,507
Inter-segment revenue	205	10	3	1	2	4	15	(240)	-
Total revenue	**346**	**601**	**146**	**255**	**184**	**200**	**15**	**(240)**	**1,507**
Services/Products (over time)	346	559	119	218	148	176	15	(237)	1,344
Services/Products (at a point in time)	-	42	27	37	36	24	-	(3)	163
Major service/products lines:									
Mobile originated revenue	-	397	143	245	181	192	-	(16)	1,142
Fixed originated revenue	-	204	3	-	-	2	-	(1)	208
International transit revenue	118	-	-	-	-	4	-	(20)	102
Other wholesale revenue	228	-	-	5	3	2	-	(189)	49
Other sales	-	-	-	5	-	-	15	(14)	6
Total revenue	**346**	**601**	**146**	**255**	**184**	**200**	**15**	**(240)**	**1,507**
Other income from non-telecommunication services	2	2	-	-	-	-	1	(1)	4
Operating expenses	(184)	(426)	(87)	(151)	(97)	(117)	(15)	241	(836)
Net gain/loss from sale of investments in subsidiaries	-	1	-	-	-	-	-	-	1
EBITDA	**164**	**178**	**59**	**104**	**87**	**83**	**1**	**-**	**676**
Depreciation and amortisation	(88)	(94)	(28)	(61)	(39)	(43)	(1)	5	(349)
Amortisation of costs to obtain a contract	-	(8)	(3)	(3)	(6)	(3)	-	-	(23)
Impairment loss	(1)	-	-	-	-	(3)	-	-	(4)
EBIT	**75**	**76**	**28**	**40**	**42**	**34**	**-**	**5**	**300**
Finance income	-	2	-	2	2	6	-	(1)	11
Finance expense	(7)	(6)	(1)	(4)	(3)	(4)	(91)	2	(114)
Profit for the period before tax	**68**	**72**	**27**	**38**	**41**	**36**	**(91)**	**6**	**197**
Income tax expense	(11)	(15)	(7)	(7)	(4)	(2)	(4)	-	(50)
Profit for the period	**57**	**57**	**20**	**31**	**37**	**34**	**(95)**	**6**	**147**
Capital expenditure	(55)	(22)	(19)	(40)	(11)	(12)	-	-	(159)
Other significant non-cash expenses	(1)	(3)	(2)	(1)	(1)	(4)	-	-	(12)
31 December 2019									
Segment assets	2,515	2,092	594	1,176	781	1,088	469	(500)	8,215
Segment liabilities	1,607	1,031	289	232	163	196	2,694	(258)	5,954
Segment equity	**908**	**1,061**	**305**	**944**	**618**	**892**	**(2,225)**	**(242)**	**2,261**

E. Notes to the condensed consolidated financial statements

E.1. Revenue

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

Revenue from the telecommunication business comprises the following:

In millions of EUR, for the six months ended 30 June

	2020	2019
Mobile originated revenue	1,123	1,133
Fixed originated revenue	234	218
International transit revenue	128	102
Other wholesale revenue	53	48
Other sales	7	6
Revenue from telecommunication business	**1,545**	**1,507**
out of which:		
Services/products transferred over time	1,366	1,344
Services/products transferred at a point in time	179	163

Hardware sales of MEUR 160 (30 June 2019: MEUR 161) being part of mobile originated revenues include interest revenue arising from Group's ordinary transactions with a significant financing component. For the period ended 30 June 2020 the interest revenue amounts to MEUR 5 (30 June 2019: MEUR 5). Hardware sales of MEUR 20 (30 June 2019: MEUR 8) are included in fixed originated revenue.

For relevant information on contract assets and contract liabilities refer to E.10.

E.1.2. Revenue from telco business – geographical markets

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

In millions of EUR, for the six months ended 30 June

	2020	2019
Services/products transferred over time	1,366	1,344
Czech Republic	580	583
Slovakia	126	123
Germany	15	12
Switzerland	3	5
Hungary	213	209
Bulgaria	148	147
Serbia and Montenegro	164	171
Other	117	94
Services/products transferred at a point in time	179	163
Czech Republic	47	41
Slovakia	20	26
Hungary	34	37
Bulgaria	36	35
Serbia and Montenegro	42	24

E.1.3. Incremental costs to obtain a contract

In millions of EUR, for the six months ended 30 June/ twelve months ended 31 December

	2020	2019
Balance as at 1 January	53	48
Capitalised costs to obtain a contract	25	51
Amortisation of capitalised costs to obtain a contract	(25)	(46)
Effects of movements in exchange rates	(2)	-
Balance as at 30 June 2020/31 December 2019	**51**	**53**

E.2. Operating expenses

Operating expenses comprise the following:

In millions of EUR, for the six months ended 30 June

	2020	2019
Supplies	324	305
Cost of telco and other devices sold (inventories)	178	174
Employee compensation	122	122
Payroll related taxes	37	37
Rental, maintenance and repair expense	37	40
Information technologies	29	33
Commissions	19	15
Advertising and marketing	19	20
Professional services	9	13
Net impairment losses on trade and other receivables	14	9
Restructuring charge	-	3
Other	62	65
Total operating expenses	**850**	**836**

Other operating expenses comprise mainly the costs of energy and management and other fees.

E.3. Depreciation and amortisation

In millions of EUR, for the six months ended 30 June

	2020	2019
Depreciation of property, plant and equipment	130	146
Depreciation of property, plant and equipment – ROU (IFRS 16)	46	44
Amortisation of intangible assets	158	159
Total depreciation and amortisation	**334**	**349**

E.4. Finance income and finance expenses

Finance income comprises the following:

In millions of EUR, for the six months ended 30 June

	2020	2019
Interest income	1	11
Net foreign currency gains	1	-
Total finance income	**2**	**11**

Finance expenses comprises the following:

In millions of EUR, for the six months ended 30 June

	2020	2019
Interest expenses	59	73
Net loss on financial derivatives	5	34
Fee and commission expense	1	1
Net foreign currency losses	-	6
Total finance expenses	**65**	**114**

E.5. Income taxes

Income tax expense comprises the following:

In millions of EUR, for six months ended 30 June

	2020	2019
Current tax expense	(69)	(70)
Deferred tax benefit	13	20
Total income tax expense	**(56)**	**(50)**

Income tax is computed and recognised by entities generating substantial accounting profit for the interim period, either via application of statutory income tax rate on pre-tax income adjusted by, if significant, excluded disregarded revenues and costs. The Group's consolidated effective tax rate for the six months ended 30 June 2020 was 20% (30 June 2019: 25%). The decrease in effective tax rate was caused primarily by the decrease in non-deductible interest expenses.

E.6. Property, plant and equipment

Property, plant and equipment comprise the following:

In millions of EUR

30 June 2020	Land and buildings	Ducts, cables and related plant	Telecom technology and related equipment	Other tangible assets and equipment	Construction in progress	**Total**
Cost	380	1,704	1,205	223	138	3,650
Accumulated depreciation and impairment	(114)	(468)	(549)	(92)	(3)	(1,226)
Total PPE	**266**	**1,236**	**656**	**131**	**135**	**2,424**

In millions of EUR

31 December 2019	Land and buildings	Ducts, cables and related plant	Telecom technology and related equipment	Other tangible assets and equipment	Construction in progress	**Total**
Cost	390	1,773	1,213	227	146	3,749
Accumulated depreciation and impairment	(112)	(456)	(535)	(88)	(3)	(1,194)
Total PPE	**278**	**1,317**	**678**	**139**	**143**	**2,555**

E.7. Right-of-use assets

In relation to leases under IFRS 16, the Group recognises depreciation and interest expense, instead of operating lease expense. During the first half of 2020, the Group recognised MEUR 46 of depreciation charges and MEUR 7 of interest expense from these leases (first half of 2019: MEUR 44 and MEUR 7, respectively). This effected the value of EBITDA reported in the amount of MEUR 700 (first half of 2019: MEUR 676). Value of EBITDA without adoption of IFRS 16 was calculated resulting in adjusted EBITDA of MEUR 648 (first half of 2019: MEUR 625).

Right-of-use assets comprise the following:

In millions of EUR

	30 June 2020	31 December 2019
Cost	621	613
Accumulated depreciation and impairment	(129)	(90)
Total right-of-use assets	**492**	**523**

E.8. Intangible assets and goodwill

Intangible assets comprise the following:

In millions of EUR

30 June 2020	Software	Valuable rights (Trademark)	Licences	Customer relationships	Other intangible assets	Construction in progress	**Total**
Cost	529	179	867	1,284	78	64	3,001
Accumulated amortisation and impairment	(321)	(151)	(304)	(467)	(32)	-	(1,275)
Total intangible assets	**208**	**28**	**563**	**817**	**46**	**64**	**1,726**

In millions of EUR

31 December 2019	Software	Valuable rights (Trademark)	Licences	Customer relationships	Other intangible assets	Construction in progress	**Total**
Cost	520	194	809	1,329	77	28	2,957
Accumulated amortisation and impairment	(290)	(147)	(253)	(429)	(28)	-	(1,147)
Total intangible assets	**230**	**47**	**556**	**900**	**49**	**28**	**1,810**

During 2020, Telenor Hungary purchased additional frequency spectrum increasing the intangible assets by MEUR 100, part is already in use and presented as licences, and MEUR 36 not yet in use presented under construction in progress. The frequency spectrum presented under construction in progress is not yet available for use.

E.8.1. Goodwill

Goodwill is allocated to individual CGUs as follows:

In millions of EUR

	30 June 2020	31 December 2019
O2 CR – Czech operations	381	401
O2 CR – Slovak operations	40	40
CETIN	106	111
Telenor Hungary	390	421
Telenor Bulgaria	219	219
Telenor Serbia	369	369
Telenor Montenegro	42	42
Total Goodwill	**1,547**	**1,603**

Change in value of goodwill is affected by a change in FX rates.

E.9. Financial assets (excluding cash and cash equivalents)

Financial assets comprise the following:

In millions of EUR

	30 June 2020	31 December 2019
Financial assets at FVOCI*	2	2
Receivables due from banks*	5	12
Trade and other receivables	46	52
Contract assets	18	18
Non-current	**71**	**84**
Financial assets at FVTPL*	-	2
Receivables due from banks*	7	4
Trade and other receivables	501	571
Contract assets	52	63
Current	**560**	**640**
Total financial assets	**631**	**724**

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

E.9.1. Trade and other receivables

Trade and other receivables comprise the following:

In millions of EUR

	30 June 2020	31 December 2019
Trade receivables	58	57
Subtotal (gross) - non-current	**58**	**57**
Individual allowances for impairment on trade and other receivables	(12)	(5)
Subtotal (net) - non-current	**46**	**52**
Trade receivables	548	615
Accrued income	30	29
Subtotal (gross) - current	**578**	**644**
Individual allowances for impairment on trade and other receivables	(77)	(73)
Subtotal (net) - current	**501**	**571**
Carrying amount trade and other receivables - total	**547**	**623**

The Group provides mobile handsets and other telecommunication equipment to its customers on instalments (usually for 12-24 months, interest-free). In 2019, the Group entered into a transaction (issue of participation certificates by Telenor Bulgaria and Telenor Hungary) with PPF Co3 N.V., (a subsidiary of PPF Group). Under this transaction, all risks and rewards related to these instalment receivables were transferred and derecognised from the Group's consolidated statement of financial position. For the Group, no recourse or other liability resulted from this transaction. In 2020, Telenor Bulgaria and Telenor Hungary issued additional tranches of the participation certificates. Total nominal amount of the receivables derecognised during the six months ended 30 June 2020 amounted to MEUR 45 (2019: MEUR 60) and the total proceeds received by the Group MEUR 43 (2019: MEUR 57).

During the first half of 2020, the Group entered into another transaction (issue of participation certificates by O2 Slovak Republic) with AB 4 B.V. (a subsidiary of PPF Group). The substance of this transaction is same as the above-described. Total nominal amount of the receivables derecognised during the six months ended 30 June 2020 amounted to MEUR 39 and the total proceeds received by the Group MEUR 38.

E.10. Contract assets and liabilities

The following table provides information about the carrying amounts of contract assets and contract liabilities from contracts with customers.

In millions of EUR

	30 June 2020	31 December 2019
Receivables, which are included in "trade and other receivables"	**70**	**95**
Contract assets	**70**	**81**
Non-current part	18	18
Current part	52	63
Contract liabilities	**(101)**	**(108)**
Non-current part	(53)	(61)
Current part	(48)	(47)

As at 30 June 2020, the ECL allowance for current contracts assets amounted to MEUR 1 (2019: MEUR 1).

Contract assets primarily relate to the Group's rights to consideration in exchange for goods or services that the Group has already transferred to customers and which it has not yet invoiced. These, in particular, include 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.

A contract liability is the Group's obligation to deliver goods or to provide services for which the Group has received consideration from the customer. Contract liabilities include mostly telecommunication services prepaid 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 upon the 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.

E.11. Other assets

Other assets comprise the following:

In millions of EUR

	30 June 2020	31 December 2019
Deferred expenses and advances	16	16
Equity-accounted investees	1	1
Other assets	5	5
Non-current	**22**	**22**
Deferred expenses and advances	52	27
Other tax receivables	6	7
Other assets	9	10
Current	**67**	**44**
Total other assets	**89**	**66**

E.12. Cash and cash equivalents

Cash and cash equivalents comprise the following:

In millions of EUR

	30 June 2020	31 December 2019
Current accounts	1,183	794
Cash on hand	1	1
Total cash and cash equivalents	**1,184**	**795**

E.13. Due to banks

Liabilities due to banks comprise the following:

In millions of EUR

	30 June 2020	31 December 2019
Secured loans (other than repo)	1,012	1,571
Unsecured loans	552	296
Other	80	-
Non-current	**1,644**	**1,867**
Unsecured loans	1	272
Other	20	-
Current	**21**	**272**
Total secured loans	**1,665**	**2,139**

The Parent Company is a party to a secured facilities agreement with a syndicate of banks under which, in 2018, the Parent Company utilised secured term loan facilities amounting to MEUR 2,396 and MCZK 10,172 (approx. MEUR 380). During 2019 and 2020, the secured term loan facilities were restructured and partially refinanced by Euro medium term notes issued by the Parent Company (refer to E.14).

As at 30 June 2020, the outstanding amounts of the secured term loan facilities were MEUR 869 and MCZK 4,386 (approx. MEUR 164). As at 31 December 2019, the outstanding amounts of the secured term loan facilities were MEUR 1,349 and MCZK 6,139 (approx. MEUR 242). The actual amount of outstanding secured loan liabilities stated in the table above is lower by unamortised facility and legal fees directly attributable to the origination of the loan facilities. These fees were capitalised and are amortised to finance costs using the effective interest rate method.

As at 30 June 2020 and 31 December 2019, the Group complied with the financial covenants imposed by its loan facilities.

Parameters of EUR-denominated loan facilities as at 30 June 2020:

Repayable by	2024
Margin rate over 3M EURIBOR	1.25% - 3.00%
Actual respective margin levels applicable	1.25%

The EUR loan facilities were used to finance the acquisition of Telenor Group telecommunications assets in Central and Eastern Europe in July 2018.

Parameters of CZK-denominated loan facilities as at 30 June 2020:

Repayable by	2024
Margin rate over 3M PRIBOR	1.00% - 2.50%
Actual respective margin levels applicable	1.00%

The CZK loan facilities were used to fully refinance the original loan facilities related to financing of deferred purchase price for O2 CR (MEUR 395 in 2017).

On 20 May 2020, the Group concluded a long-term unsecured facility agreement with 5-year maturity (until 2025) and a credit limit of MCZK 9,240 (approx. MEUR 346) by which it refinanced the currently maturing loan (there was no cash movement related to this refinancing). The facility bears an interest rate derived from PRIBOR + 0.6%, where based on the agreement the reference interest rate cannot decrease below zero (zero-floor). As at 30 June 2020 and 31 December 2019, the Group utilised MCZK 7,000 (approx. MEUR 262) out of its credit limit.

In April 2019, the Group completed a placement of four tranches of promissory loan notes (Schuldschein), in total of MCZK 4,106 (approx. MEUR 160) with maturity of 5 to 7 years. In 2018, six Schuldschein tranches were subscribed of MEUR 137 (comprising tranches of MCZK 2,970 and MEUR 20) with maturity of 5 to 7 years.

E.14. Debt securities issued

Debt securities issued comprise the following:

In millions of EUR

	Date of issue	Maturity	Fixed rate	30 June 2020	31 December 2019
Unsecured bond (MEUR 625)	2016	2021	1.42%	630	625
Unsecured bond (MCZK 4,866)	2016	2023	1.25%	182	190
Secured bond (MEUR 550)	2019	2026	3.13%	549	557
Secured bond (MEUR 600)*	2019/2020	2025	2.13%	604	497
Secured bond (MEUR 600)	2020	2024	3.50%	599	-
Total debt securities issued				**2,564**	**1,869**

* The aggregate nominal amount after consolidation of the MEUR 500 Eurobond issued in November 2019 with the MEUR 100 Eurobond issued in January 2020 (as a tap issue)

In March 2019, the Group established MEUR 3,000 Euro medium term note programme. At the same moment, the Group obtained corporate credit ratings Ba1 by Moody's, BB+ by Standard & Poor’s and BBB- by Fitch Ratings. During 2019 and 2020, under this programme, the Group issued senior secured Eurobonds in the aggregate nominal amount of MEUR 1,750.

The unused capacity of the programme is currently MEUR 1,250 as at 30 June 2020. The majority of the bond proceeds were used to repay the Group’s secured loans.

E.15. Trade and other payables

Trade and other payables comprise the following:

In millions of EUR

	30 June 2020	31 December 2019
Settlements with suppliers	11	22
Advances received	1	2
Accrued expenses	1	-
Other liabilities	-	1
Non-current	**13**	**25**
Settlements with suppliers	452	523
Wages and salaries	36	32
Advances received	6	7
Social security and health insurance	12	14
Prepaid cards	-	1
Other tax payable	40	40
Accrued expense	75	92
Deferred income and prepayments	15	15
Other liabilities	26	13
Current	**662**	**737**
Total trade and other payables	**675**	**762**

E.16. Provisions

Provisions comprises the following:

In millions of EUR

	30 June 2020	31 December 2019
Fixed asset retirement obligation	41	41
Provision for restructuring	-	1
Other provisions	3	6
Non-current	**44**	**48**
Fixed asset retirement obligation	-	1
Provision for litigations except for tax issues	3	5
Other provisions	6	9
Current	**9**	**15**
Total provisions	**53**	**63**

E.17. Issued capital, share premium and dividends

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

The following table provides details of authorised and issued shares:

	30 June 2020	31 December 2019
Number of shares authorised	1,000	1,000
Number of shares issued, out of which fully paid	1,000	1,000
Par value per share	EUR 1	EUR 1

A share premium is the amount received by the Parent Company in excess of par value of its shares.

As at 30 June 2020, the share premium amounts to MEUR 1,417 (2019: MEUR 1,417). The share premium is freely distributable.

During the period ending 30 June 2020, the Parent Company paid no dividends (2019: MEUR 480).

E.18. Other reserves

E.18.1. Hedging reserve

The hedging reserve, i.e. the cash flow hedge reserve represents the effect of the recognition of the effective portion of changes in the fair value of hedging instruments in other comprehensive income in equity. The cash flow hedge reserve is not available for distribution to shareholders.

E.18.2. Currency translation reserve

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

E.19. Non-controlling interests

The following table summarises the information relating to the consolidated subgroups with NCI:

In millions of EUR

30 June 2020	**O2 CR**	**CETIN**	**TMT Hungary**
NCI percentage (ownership)	**32.17%**	**10.27%**	**25.00%**
Country of incorporation*	Czech Republic	Czech Republic	Netherlands
Total assets	1,604	2,228	1,163
Total liabilities	(1,105)	(1,545)	(324)
Net assets	**499**	**683**	**839**
Carrying amount of NCI	161	70	210
NCI percentage during the period	**32.17%**	**10.27%**	**25.00%**
Revenue	**734**	**366**	**249**
Profit/(loss)	79	46	40
Other comprehensive income	16	(28)	11
Total comprehensive income	95	18	51
Profit/(loss) allocated to NCI	25	4	10
OCI allocated to NCI	(9)	(6)	(17)
Dividends paid to NCI	**62**	**10**	**-**

* For the place of business refer to B.1

In millions of EUR

As at 31 December 2019	**O2 CR**	**CETIN**	**TMT Hungary****
NCI percentage (ownership)	**32.17%**	**10.27%**	**25.00%**
Country of incorporation*	Czech Republic	Czech Republic	Netherlands
Total assets	1,879	2,405	1,202
Total liabilities	(1,193)	(1,607)	(234)
Net assets	**686**	**798**	**968**
Carrying amount of NCI	221	82	242

30 June 2019	**O2 CR**	**CETIN**	**-**
NCI percentage during the period	**32.31%**	**10.27%**	**-**
Revenue	739	345	-
Profit/(loss)	77	56	-
Other comprehensive income	(6)	2	-
Total comprehensive income	71	58	-
Profit/(loss) allocated to NCI	24	6	-
OCI allocated to NCI	-	-	-
Dividends paid to NCI	**64**	**10**	**-**

* For the place of business refer to B.1
** The NCI for TMT Hungary arise in 2019, as described in section B.

TMT Hungary paid out an asymmetric dividend from a part of 2019 profit where the non-controlling partner was excluded due entering into Hungarian operations in October 2019 (refer to section B). This transaction decreased the carrying amount of NCI by MEUR 23 resulting in a gain presented directly in retained earnings attributable to the owners of the Parent.

E.20. Off-balance sheet items

E.20.1. Commitments

In millions of EUR

	30 June 2020	31 December 2019
Guarantees provided	9	9
Capital expenditure commitments – PPE	45	36
Capital expenditure commitments – intangible assets	12	8
Other	3	264
Total commitments and contingent liabilities	**69**	**317**

As at 31 December 2019, other commitments represented bank guarantees issued by local banks in Hungary for Telenor Hungary, requested by the local telecommunication regulator from participants in the upcoming spectrum auction. The Group was given a guarantee of MEUR 264 fully covering the spectrum auction entry requirement. During 2020, the Group successfully acquired some licences and the bank guarantee was released (refer to E.8).

E.20.2. Off-balance sheet assets

In millions of EUR

	30 June 2020	31 December 2019
Guarantees accepted	9	10
Loan commitments accepted	96	210
Total commitments and contingent assets	**105**	**220**

E.20.3. Assets pledged as security

The Group has pledged certain assets as collateral for its funding liabilities. As at 30 June 2020 and 31 December 2019, the pledged assets include, in particular receivables from bank accounts, intra-group loans, hedging agreements and all shares of the Parent Company, PPF TMT Bidco 1 B.V., PPF Telco B.V., CETIN Group B.V. and the Telenor operating entities (with exception of the Group's share in Telenor Hungary, whose intermediate holding company's 75% share is pledged).

E.20.4. Litigations

The following legal cases related to the Group are significant from the Group's perspective:

In March 2011, VOLNÝ, a.s. commenced a legal action against O2 CR for an amount of MEUR 154 excluding interest for an alleged abuse of dominant position on the market of internet broadband connection provided to households via ADSL. The amount was calculated as the purported profit the plaintiff lost in the period 2004 to 2010. The plaintiff claimed it had a 30 percent share on the dial-up internet market in 2003 and implied that it would have the same share on the broadband market had it not been for the alleged margin squeeze by O2 CR on the fixed broadband market. O2 CR denied any wrongdoing and noted that the claim and the calculations submitted by the plaintiff were unsubstantiated. In 2018, the Municipal court in Prague fully dismissed the legal action of Volný, after hearing of an independent expert which the court appointed. The court concluded that O2 CR did not breach competition law rules and therefore could not even cause any damage. This is confirmed by later decision of the Antimonopoly Office from 23 January 2019 issued in the independent administrative proceedings. The court decision was delivered in June 2018. The plaintiff filed the appeal against this decision. The High Court in Prague ordered a hearing to be held in September 2020.

The legal action brought by Vodafone Czech Republic a.s. claiming MEUR 15 was delivered to O2 CR on 2 April 2015. The legal action is grounded on an alleged breach of competition rules related to the broadband internet services based on xDSL technology between 2009 and 2014. The legal action was filed shortly after a two-page notice claiming this amount was delivered to O2 CR. According to O2 CR, the whole claim is a purely artificial case, the sole purpose of which was to damage O2 CR by bad publicity. Vodafone Czech Republic a.s. claims that it did not reach 200,000 customers of xDSL internet services and therefore lost profit. O2 CR provided the court with its statement that there are no grounds for the claim. The Municipal Court in Prague dismissed the plaintiff's petition requesting O2 CR to disclose all information and documents supporting the claim filed in the legal action. The court found that the plaintiff had not yet described the essential facts which would at least indicate that the plaintiff would have ever suffered any damage. This is confirmed also by the decision of ÚOHS dated 23 January 2019 in a separate administrative proceedings. The High Court in Prague confirmed this decision. Vodafone filed an extraordinary appeal to the Supreme Court. No courts hearing were ordered during 2019 and 2020.

In the wake of a ruling handed down by the Constitutional Court, on 14 March 2016 BELL TRADE s.r.o. applied to the District Court in Malacky for O2 CR to be restored as a defendant in proceedings held solely between Slovak entities – BELL TRADE and PET PACK SK s.r.o. – with respect to MEUR 1. BELL TRADE is seeking to base a new claim and new attempt to establish the jurisdiction of the District Court in Malacky on a letter of 8 June 2015, in which it stated that it was "withdrawing from all agreements concluded between RVI, a.s. and O2 CR" and reserved the right to seek compensation for damage caused by such withdrawal. The new claim raised against O2 CR amounts to MEUR 192, including interest as of 14 March 2016. In a ruling of 16 May 2016, the District Court in Malacky rejected BELL TRADE's application for O2 CR to be restored as a defendant. BELL TRADE appealed to the Regional Court in Bratislava.

In 2017, O2 CR filed the legal action to the Municipal Court in Prague as a reaction to the repeated attempts organised by the connected companies BELL TRADE and PET-PACK SK s.r.o. O2 CR claims that no contracts have ever been concluded and that O2 CR has no obligations under these unconcluded contracts. The Municipal Court in Prague confirmed O2 CR's arguments and upheld the legal action on the hearing on 26 June 2017. BELL TRADE and PET-PACK SK s.r.o. filed the appeal to the High Court in Prague. In the first half of 2018, decisions in favour of O2 CR in the proceedings were issued. On 18 June 2018, the High Court in Prague confirmed the previous decision of the Municipal Court in Prague against PET PACK and BELL TRADE, which determined that no receivables or contracts ever existed. In relation to the company RVI, the High Court changed the previous decision also in favour of the Company. In May 2018, the resolution of the Regional Court in Bratislava also confirmed the decision of the District Court in Malacky. The court confirmed that the Company should not be the defendant in the proceedings which were been still to be held between BELL TRADE and PET PACK and from which the Company had already been exempted by the Constitutional Court of the Slovak Republic. During 2019, another positive decision was achieved. The Constitutional Court by its resolution dated 30 July 2019 rejected the constitutional complaint of BELL TRADE against the Supreme Court's denial of an extraordinary appeal. The case was thus closed in the courts of the Czech Republic – it is legally established that no contracts or receivables have ever existed.

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

E.20.5. Regulatory investigations

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

On 7 August 2019, the Commission issued a statement of objections, expressing its intention to issue a decision that the network sharing agreements constitute a breach of Article 101 of the Treaty. If such a decision were taken, there would be a risk for O2 CR and CETIN of imposition of a fine pursuant to Article 23 of Regulation (EC) No. 1/2003 and possibly of imposition of further measures to put an end to the alleged infringement. However, the Commission has in no way indicated the amount of the potential fine, not even approximately. On 8 August 2019, European Commission informed PPF Group N.V. that intends to extend the above described investigation also to PPF Group N.V. On 14 February 2020 the Commission has delivered to PPF Group N.V. (the Group's ultimate shareholder) statement of objection; PPF Group N.V. has replied to it on 20 April 2020.

The Group including its individual entities involved in the case (i.e. O2 CR and CETIN) is firmly convinced that network sharing has significantly enhanced the availability and quality of mobile signal in the Czech Republic, which is currently among the top European countries in terms of coverage density. Thus, no harm to competition or consumers has occurred. The Group continues to communicate with the Commission and is preparing further analyses regarding the benefits of network sharing and the quality of coverage in the Czech Republic. The European Commission has ordered a hearing to be held in September 2020.
In January 2018, the Hungarian Competition Authority carried out an unannounced inspection at the headquarters of Telenor Hungary in relation to two cases: (i) the investigation of the 800 MHz frequency tender auction, in which Telenor Hungary and Magyar Telekom allegedly committed anti-competitive behaviour during the tender in form of bid rigging and information exchange; and (ii) the 800 MHz network sharing cooperation, under investigation since 2015. As of the date of these financial statements, the proceedings were ongoing and Telenor Hungary was cooperating with the Hungarian Competition Authority to show no breach had occurred.

E.21. Related parties

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

E.21.1. Transactions with fellow subsidiaries

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

In millions of EUR

	30 June 2020	31 December 2019
Receivables due from banks	16	12
Trade receivables	2	4
Cash and cash equivalents	984	525
Investment securities	-	2
Right-of-use assets (IFRS 16)	-	1
Other assets	-	6
Negative fair value of hedging derivatives	(3)	(9)
Trade and other payables	(9)	(3)
Lease liabilities (IFRS 16)	(1)	(1)
Debt securities issued	(2)	(3)

In millions of EUR, for the six months ended 30 June

	30 June 2020	30 June 2019
Revenue from telecommunication business	4	2
Interest income	-	1
Net gain on financial assets	-	1
Other operating expenses	(6)	(8)

During the first half of 2020 and autumn 2019, the Group issued participation certificates that were fully acquired by its fellow subsidiaries. For more details refer to E.9.1.

Cash and cash equivalents represent the Group's current accounts with PPF Banka a.s. and Mobi Banka a.d. Beograd (both under control of PPF Group N.V.).

F. Significant accounting policies

F.1. Significant accounting policies

The Group applies the same accounting policies in these condensed consolidated interim financial statements as were applied in the recent annual consolidated financial statements for the year ended 31 December 2019, except for the changes described below.

All these below amendments have been adopted by the EU and did not have any significant impact on the Group's consolidated financial statements.

Amendments to IFRS 3 Definition of Business Combinations (effective from 1 January 2020)

The amendments to IFRS 3 Business Combinations narrowed and clarified the definition of a business. They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business.

Interest Rate Benchmark Reform amendments to IFRS 9, IAS 39 and IFRS 7 (effective from 1 January 2020)

The amendments modify specific hedge accounting requirements, so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark is not altered as a result of the interest rate benchmark reform.

The amendments are applied retrospectively to those hedging relationships that existed at the beginning of the reporting period in which an entity first applies the amendments or were designated thereafter, and to the gain or loss recognised in other comprehensive income that existed at the beginning of the reporting period in which an entity first applies the amendments.

Amendments to IAS 1 and IAS 8: Definition of material (effective from 1 January 2020)

The amendments to IAS 1 Presentation of financial statements and IAS 8 Accounting policies, changes in accounting estimates and errors, and consequential amendments to other IFRSs: i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; ii) clarify the explanation of the definition of material; and iii) incorporate some of the guidance in IAS 1 about immaterial information.

Amendments to References to Conceptual Framework (effective from 1 January 2020)

The IASB decided to revise the Conceptual Framework because some important issues were not covered and some guidance was unclear or out of date. The revised Conceptual Framework, issued by the IASB in March 2019, includes a new chapter on measurement; guidance on reporting financial performance; improved definitions of an asset and a liability, and guidance supporting these definitions; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

The IASB also updated references to the Conceptual Framework in IFRS Standards by issuing Amendments to References to the Conceptual Framework in IFRS Standards. This was done to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction.

F.2. Standards, interpretations and amendments to published standards not yet effective but relevant for the Group's consolidated financial statements

A number of new standards, amendments to standards, and interpretations were not yet effective as of 30 June 2020 and have not been applied in the preparation of these condensed consolidated interim financial statements. Of these pronouncements, the following will have a potential impact on the Group's operations. The Group plans to adopt these pronouncements when they become effective.

Amendment to IFRS 16 Leases: Covid 19 – Related Rent Concessions (effective 1 June 2020)

This amendment simplifies lessee's accounting for rent concessions in reaction to the impact of Covid 19 global situation and its potential impact on rent relationships. Rent concessions often meet the definition of a lease modification which might result in complex accounting (revised discount rate, adjustment of right-of-use assets). The IASB introduced a practical expedient for lessees under which the lessee is not required to assess whether eligible rent concessions that are a direct consequence of the Covid 19 pandemic are leases modifications. Instead, it accounts for them under other applicable guidance like variable lease payments and are recognised in profit or loss.

This amendment has not yet been adopted by the EU where the expectation for adoption is by the end of 2020. The Group is currently assessing its impact on its annual consolidated financial statement 2020 for the case the amendment is adopted during 2020.

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

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

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

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

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

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

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

G. Subsequent events

G.1. Business restructuring

As at 1 July 2020, the Group completed a separation of retail and infrastructure at three of its Telenor branded mobile operators in Bulgaria, Hungary, and Serbia, and established CETIN Group, subsequently. The newly established companies are CETIN Bulgaria, CETIN Hungary, and CETIN Serbia. There is no change in ownership structure and companies are fully consolidated in the Group's financial statements. In the Group's annual financial statements for the year ended 31 December 2020 segment reporting disclosure will be amended to reflect the separation of the retail and infrastructure parts.

G.2. Dividend distribution

On 6 August 2020, the Group paid a dividend of MEUR 600 to its direct shareholder PPF TMT Holdco 2 B.V.

G.3. Committed unsecured bank facility

In July 2020, the Group received commitments from wide group of relationship banks for committed unsecured credit facility of MEUR 625, which shall serve as the liquidity back-up for CETIN's MEUR 625 Eurobonds maturing in December 2021. The credit facility matures on 6 December 2023.

24 August 2020

The Board of Directors:

Jan Cornelis Jansen
Member of the Board of Directors

Lubomír Král
Member of the Board of Directors

Marcel Marinus van Santen
Member of the Board of Directors