PPF Arena 1 B.V.

Condensed consolidated interim financial statements for the six months ended 30 June 2019

Review report

To: the Board of Directors of PPF Arena 1 B.V.

Introduction

We have reviewed the accompanying condensed consolidated interim financial information as at 30 June 2019 of PPF Arena 1 B.V., Amsterdam, which comprises the condensed consolidated interim statement of financial position as at 30 June 2019, the condensed consolidated interim income statement and other comprehensive income, condensed consolidated interim statements of changes in equity and cash flows for the six-month period ended 30 June 2019, and the notes, comprising a summary of the significant accounting policies and other explanatory information. Management 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 condensed consolidated 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 2019 are not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

Amstelveen, 24 September 2019

KPMG Accountants N.V.

M. Frikkee RA

Contents

Glossary

CEE	- Central and Eastern Europe
CGU	- cash generating unit
EBIT	- earnings before interest and taxes
EBITDA	- earnings before interest, tax, depreciation and amortisation
FVTPL	- fair value through profit or loss
NCI	- non-controlling interests
OCI	- other comprehensive income
PPE	- property, plant and equipment

Condensed consolidated interim income statement and other comprehensive income

For the six months ended 30 June

In millions of EUR

	Note	2019	2018
Revenue	E1	1,507	913
Other income from non-telecommunication services	E2	4	3
Operating expenses	E3	(837)	(560)
Net gain from sale of investments in subsidiaries		1	-
Earnings before impairment loss, interest, tax, depreciation and amortisation (EBITDA)		**675**	**356**
Depreciation and amortisation		(349)	(178)
Amortisation of costs to obtain or fulfil a contract	E1.3	(23)	(9)
Impairment loss		(3)	-
Operating profit (EBIT)		**300**	**169**
Finance income	E4	11	1
Finance costs	E4	(114)	(16)
Profit for the period before tax		**197**	**154**
Income tax expense	E5.1	(50)	(32)
Profit for the period		**147**	**122**
Other comprehensive income*			
Currency translation differences		14	(29)
Gains/(losses) on valuation differences from cash flow hedges		-	17
Cash flow hedge – effective portion of changes in fair value		(6)	-
Cash flow hedge - net amount transferred to the income statement		6	(10)
Income tax related to components of OCI		-	(2)
Other comprehensive income, net of tax		**14**	**(24)**
Total comprehensive income for the period		**161**	**98**
Profit attributable to:			
Equity holders of the Parent		117	92
Non-controlling interests		30	30
Profit for the period		**147**	**122**
Total comprehensive income attributable to:			
Equity holders of the Parent		131	74
Non-controlling interests		30	24
Total comprehensive income for the period		**161**	**98**

*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 2019	31 December 2018
ASSETS			
Property, plant and equipment	E6	2,527	2,552
Intangible assets	E8	1,924	2,012
Goodwill	E8.1	1,610	1,609
Right-of-use assets	E7	519	-
Equity-accounted investees		1	1
Other financial assets	E9	11	8
Trade and other receivables	E9.3	65	59
Contract assets	E10	23	30
Cost to obtain or fulfil the contract	E1.3	38	31
Deferred tax assets	E5.1	3	3
Other assets	E11	18	19
Non-current assets		**6,739**	**6,324**
Other financial assets	E9	5	180
Trade and other receivables	E9.3	573	575
Contract assets	E10	56	50
Cost to obtain or fulfil the contract	E1.3	13	17
Inventories	E12	77	73
Current income tax receivables		5	6
Cash and cash equivalents	E13	711	262
Other assets	E11	60	50
Current assets		**1,500**	**1,213**
TOTAL ASSETS		**8,239**	**7,537**
LIABILITIES			
Due to banks	E14	2,783	3,015
Debt securities issued	E15	1,357	812
Financial liabilities at fair value through profit or loss	E9.1	82	53
Deferred tax liabilities	E5.1	414	425
Lease liabilities	F1.1	466	-
Trade and other payables	E16	29	40
Contract liabilities	E10	57	58
Provisions	E17	50	40
Non-current liabilities		**5,238**	**4,443**
Due to banks	E14	2	130
Current income tax liability		15	11
Debt securities issued		11	-
Lease liabilities	F1.1	44	-
Trade and other payables	E16	755	745
Contract liabilities	E10	45	32
Provisions	E17	12	13
Current liabilities		**884**	**931**
TOTAL LIABILITIES		**6,122**	**5,374**
Issued capital*	E18	-	-
Share premium	E18	1,417	1,341
Other reserves	E19	30	100
Retained earnings		399	394
Total equity attributable to equity holders of the Parent		1,846	1,835
Non-controlling interests	E20	271	328
Total equity		**2,117**	**2,163**
TOTAL LIABILITIES AND EQUITY		**8,239**	**7,537**

*Issued capital is TEUR 1.

Condensed consolidated interim statement of changes in equity

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**
Adjustment on initial application of IFRS 16	-	-	-	-	-	-	-	-	-
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 paid to shareholders	-	-	-	-	-	(120)	(120)	-	(120)
Dividends to NCI	-	-	-	-	-	-	-	(74)	(74)
Distributions paid 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.

In millions of EUR, for the six months ended 30 June 2018

	Issued capital*	Share premium	Legal and statutory reserves	Translation reserve	Hedging reserve	Retained earnings	Attributable to owners of the Parent	Attributable to non-controlling interest	Total
Balance as at 1 January 2018	**-**	**1,138**	**6**	**86**	**13**	**216**	**1,459**	**306**	**1,765**
Adjustment on initial application of IFRS 15 and IFRS 9 (net of tax)	-	-	-	-	-	18	18	7	25
Adjusted balance as at 1 January 2018	**-**	**1,138**	**6**	**86**	**13**	**234**	**1,477**	**313**	**1,790**
Profit for the period	-	-	-	-	-	92	92	30	122
Currency translation differences	-	-	-	(24)	-	-	(24)	(5)	(29)
Effect of hedge accounting	-	-	-	-	18	-	18	(1)	17
Net change in fair value of CF hedges transferred to income statement	-	-	-	-	(10)	-	(10)	-	(10)
Tax on items taken directly to or transferred from equity	-	-	-	-	(2)	-	(2)	-	(2)
Total comprehensive income	**-**	**-**	**-**	**(24)**	**6**	**92**	**74**	**24**	**98**
Dividends to NCI	-	-	-	-	-	-	-	(75)	(75)
Distributions paid to NCI	-	-	-	-	-	-	-	(15)	(15)
Net decrease of share premium	-	(168)	-	-	-	-	(168)	-	(168)
Other changes in NCI	-	-	-	-	-	128	128	45	173
Total transactions with owners of the Parent	**-**	**(168)**	**-**	**-**	**-**	**128**	**(40)**	**(45)**	**(85)**
Balance as at 30 June 2018	**-**	**970**	**6**	**62**	**19**	**454**	**1,511**	**292**	**1,803**

*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

	Note	2019	2018
Cash flows from operating activities			
Profit before tax		197	154
Adjustments for:			
Depreciation and amortisation		349	178
Amortisation of costs to obtain or fulfil a contract		23	9
Impairment losses on current and non-current assets		9	5
Net interest expenses	E4	62	12
Other non-cash adjustments		65	14
Net operating cash flow before changes in working capital		**705**	**372**
Interest received		8	-
Change in inventories		(1)	(1)
Change in receivables due from banks		(2)	1
Change in trade and other receivables		(10)	(21)
Change in contract assets		2	(3)
Change in other assets		(11)	(7)
Change in cost to obtain or fulfil the contract		(26)	(9)
Change in trade and other payables		(93)	(15)
Change in provisions		9	(2)
Cash flows from operating activities		**581**	**315**
Income tax paid		(65)	(35)
Net cash from/(used in) operating activities		**516**	**280**
Cash flows from investing activities			
Purchase of PPE and intangible assets		(197)	(120)
Purchase of investment securities		-	(7)
Proceeds from sale of investment securities		174	-
Proceeds from disposals of PPE and intangible assets		-	1
Proceeds from sale of subsidiaries to NCI		-	173
Net cash from/(used in) investing activities		**(23)**	**47**
Cash flows from financing activities			
Distribution of share premium	E18	-	(168)
Proceeds from the issue of debt securities		543	-
Proceeds from loans due to banks		189	46
Repayment of loans due to banks		(573)	-
Interest paid		(33)	(4)
Cash payments for principal portion of lease liability		(41)	-
Dividends paid to shareholders		(120)	-
Dividends paid to NCI		(10)	-
Distributions to NCI		-	(15)
Cash flow from/(used in) financing activities		**(45)**	**(141)**
Net increase/(decrease) in cash and cash equivalents		**448**	**186**
Cash and cash equivalents as at 1 January		**262**	**182**
Effect of exchange rate changes on cash and cash equivalents		1	(3)
Cash and cash equivalents as at 30 June		**711**	**365**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

A. General

A.1. Description of the Group

PPF Arena 1 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 Arena 1 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, 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; Česká telekomunikační infrastruktura a.s. ("CETIN"), 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 2019 comprise the Parent Company and its subsidiaries (together, 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 2019 and 2018.

A.2. Statement of compliance

The condensed consolidated interim financial statements were authorised for issue by the Board of Directors on 24 September 2019.

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 2018. 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.

This is the first set of the Group's financial statements where IFRS 16 has been applied. Changes to significant accounting policies are described in Note F.1.1.

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, expect 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, except for new significant judgements related to lessee accounting under IFRS 16, which are described in F.1.1.

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.17)
- impairment of trade receivables and contract assets (refer to E.9, E.10)
- commissions as costs to obtain contracts with customers
- contingent assets/liabilities (refer to E.21.2, E.21.3)
- stand-alone selling prices.

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.21, 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 new 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. Since 1 January 2019 the functional currency of the Parent was changed from CZK to EUR as a consequence of Telenor transaction in 2018. The Telenor transaction brought changes in the relations in currencies by which the Parent is financed and under which it is operating from CZK to EUR. This change resulted in recalculation of share premium, retained earnings and translation reserve with no impact on the total equity. The difference is caused by recalculation of share premium and retained earnings of the Parent using spot rate as at 31 December 2018 whereas previously the amounts were retranslated using historical FX rates.

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.

A.7. Change in presentation of receivable portfolio provided to Serbian client for accessories

In 2018, the Group recognised the receivable portfolio provided to Telenor Serbia customers by Telenor banka (related party since February 2019) for financing handsets purchases. In 2019, the Group ceased to present the receivable portfolio due to the fact that Telenor Serbia customers and Telenor banka have loan agreements, hence the portfolio itself recognized by Telenor Banka and Telenor Serbia is acting only as a guarantor. As a consequence, the Group recognises only the deposit placed at Telenor banka as a collateral whereas the portfolio itself is recognized by Telenor banka. The comparative period 2018 was restated accordingly, the trade and other receivables decreased by MEUR 35, liabilities due to banks decreased by MEUR 29 and other financial assets increased by MEUR 6.

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 2019 and 31 December 2018.

Company	Domicile	Effective proportion of ownership interest	
		30 June 2019	31 Dec. 2018
PPF Arena 1 B.V.	Netherlands	Parent	Parent
CETIN Finance B.V.	Netherlands	89.73%	89.73%
Česká telekomunikační infrastruktura a.s. (“CETIN”)	Czech Republic	89.73%	89.73%
O2 Czech Republic a.s.*	Czech Republic	67.69%	67.69%
O2 IT Services s.r.o.	Czech Republic	67.69%	67.69%
O2 Slovakia, s.r.o.	Slovakia	67.69%	67.69%
PPF Infrastructure B.V.	Netherlands	100.00%	100.00%
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	100.00%	100.00%
Telenor Real Estate Hungary Zrt.	Hungary	100.00%	100.00%

*As at 30 June 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% (2018: 65.79%).

As at 30 June 2019 and 31 December 2018, PPF Group N.V. holds a 100% stake in CETIN and an 83.4% effective stake in O2 Czech Republic a.s.

B.2. Significant changes in the Group structure in 2019 and 2018

B.2.1. Acquisition of Telenor’s telecommunications assets in CEE countries

In March 2018, the Group entered into an agreement with Telenor for the acquisition of its telecommunications assets in Central and Eastern Europe, specifically in Hungary, Bulgaria, Serbia and Montenegro. Through this transaction, the Group gained full control over Telenor’s mobile operators in the aforementioned countries, the rights to use the Telenor brand through the first half of 2021, and the property used for the companies’ operations. As the transaction was subject to several relevant regulatory approvals, it was completed in July 2018. The Parent company gained control over Telenor entities on that date.

The following table shows the key non-financial parameters of the transaction:

In millions of EUR

Transaction date		31 July 2018
Significant entities and stake acquired		
Telenor Magyarország Zrt.	Hungary	100%
Telenor Bulgaria EAD	Bulgaria	100%
Telenor d.o.o. Beograd	Serbia	100%
Telenor d.o.o. Podgorica	Montenegro	100%
Telenor Common Operation Zrt.	Hungary	100%
Telenor Real Estate Hungary Zrt.	Hungary	100%

From the Group's perspective, the acquisition of the Telenor business is considered a long-term investment allowing the Group to expand its telecommunications portfolio to four more countries.

In connection with the deal, acquisition and revolving facilities up to MEUR 3,025 supporting the acquisition and refinancing of existing loans had been fully underwritten by BNP Paribas Fortis SA/NV, Crédit Agricole CIB, Erste Group Bank, HSBC Bank plc, Société Génerale and UniCredit Bank Czech Republic and Slovakia, a.s. and subsequently successfully syndicated amongst existing relationship banks and new lenders.

In the five months to 31 December 2018, consolidated Telenor entities contributed revenue of MEUR 568 and profit of MEUR 67 to the Group's results. If the acquisition had occurred on 1 January 2018 consolidated revenue would have increased by MEUR 741 and profit by MEUR 102.

The following table shows the determination of purchase price:

In millions of EUR

Initial instalment (paid in cash)	2,329
Net present value of deferred instalments	400
Deferred period	4 equal instalments until July 2022
Total purchase price	2,729

Immediately after the closing of the transaction, the Group transferred the deferred purchase price to PPF TMT Holdco1 B.V., an indirect parent of PPF Arena 1 B.V. The consideration amounting to MEUR 400 was financed by a capital increase in the Parent Company.

The Group incurred acquisition-related costs of approximately MEUR 3 in legal fees and due diligence costs. These costs are presented under professional service costs.

In accordance with IFRS 3, the Group initiated a purchase price allocation ("PPA") exercise to identify the fair value of assets and liabilities. Assets and liabilities denominated in foreign currencies were translated using the exchange rate valid as at the acquisition date. The acquired business was divided into four cash-generating units based on the geographic location of the acquired individual operations. Consequently, the acquired assets and assumed liabilities of the individual units were restated to their respective fair values. The difference between the allocated purchase price and the fair values of identified assets and liabilities resulted in the recognition of goodwill.

Key assumptions and valuation approach

As the acquired businesses are mobile operators, the key asset categories acquired in the acquisition were fixed assets reported in the balance sheet, and customer relationships identified in addition to the fixed assets. Major fixed asset categories reported on the balance sheet are telecommunication technology and related equipment, land and buildings, software, and spectrum and brand licences.

Since each asset category has different characteristics, different asset valuation methods were used. Based on the nature of the tangible assets and their continued use, the valuation of all tangible assets except land and buildings used the cost approach. The market approach was used for the valuation of land. Buildings were valued combining the cost and income approaches. Purchased software was valued using the cost method. Spectrum licences were valued using the Greenfield approach and a market comparison. Identified customer relationships were valued using the multi-period excess earnings method. Any acquired brands were valued using the cost approach.

It was concluded that the carrying amounts of current and financial assets as well as all assumed liabilities represent their respective fair values.

The following table summarises the recognised amounts of assets and liabilities assumed in the acquisition, taking into consideration the facts stated above:

In millions of EUR, as at 31 July 2018

Fair value of assets (excluding goodwill)	**2,084**
Property, plant and equipment	505
Intangible assets	1,082
Trade and other receivables	327
Contract assets	55
Inventories	31
Cash and cash equivalents	55
Other assets	29
Fair value of liabilities	**420**
Due to banks and other financial institutions	26
Deferred tax liabilities	97
Trade and other payables	257
Current income tax liability	7
Provisions	34
Fair value of identifiable net assets	**1,664**

Trade receivables comprise gross contractual amounts due of MEUR 424, whereas on the acquisition date, the collection of MEUR 97 was expected to be doubtful.

Goodwill arising from the acquisition has been recognised as follows:

In millions of EUR

Total consideration	2,729
Fair value of identifiable net assets	1,664
Goodwill	1,065

Goodwill is attributable to the established position of Telenor businesses in the relevant markets, potential synergies with other Group operations and the assembled workforce. None of the goodwill recognised is expected to be deducted for tax purposes.

B.2.2. Sale of O2 CR shares in 2018

In March 2018, the Group sold a 5% stake in O2 CR to an affiliated company (exact share 4.9998%). Following the sale and taking into account treasury shares, the Group's effective share in O2 CR decreased to 67.69%.

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

In millions of EUR

Total net consideration received	173
Net effective ownership in O2 CR decreased	5.14%
Net asset value attributable to non-controlling interests sold	45
Effect recorded in equity attributable to equity holders of the Parent (gain)	128

B.2.3. Share buy-back programme in O2 CR

On 28 January 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. The aggregate of acquired treasury shares represents 2.8% of the voting rights of O2 CR. During 2018 and 2019, O2 CR did not acquire any new treasury shares.

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 2018. 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 other 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 from January 2019 to 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. Hedged cash flows are the expected monthly payments from September 2018 to November 2020. 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 2019 and 2018, 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.

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 fair values of the following financial instruments differ from their carrying amounts shown in the consolidated statement of financial position, either in 2019 or 2018:

In millions of EUR

	30 June 2019 Carrying amount	30 June 2019 Fair value	31 December 2018 Carrying amount	31 December 2018 Fair value
Receivables due from banks (Level 2,3)	13	13	12	12
Trade and other receivables (Level 3)	637	637	634	634
Due to banks (Level 2)	(2,785)	(2,781)	(3,145)	(3,139)
Debt securities issued (Level 2)	(1,368)	(1,375)	(812)	(818)
Trade and other payables (Level 3)	(784)	(784)	(785)	(785)

The Group’s fair-value estimates for its other financial assets and liabilities 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 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	-	1	1	2
Financial liabilities at FVTPL	-	(82)	-	(82)
Total	**-**	**(81)**	**1**	**(80)**

In millions of EUR, as at 31 December 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	-	175	1	176
Financial liabilities at FVTPL	-	(53)	-	(53)
Total	-	**122**	1	**123**

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 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 2019 and 31 December 2018.

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 *(since August 2018)*	Mobile telecommunication and data services	Hungary
Telenor Bulgaria *(since August 2018)*	Mobile telecommunication and data services	Bulgaria
Telenor Serbia & MNE *(since Aug.2018)*	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 contains the following categories that may be reconciled to the income statement as follows:

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

	2019	2018
Revenue	1,507	913
Other income from non-telecommunication operation	4	3
Total revenue from external customers	**1,511**	**916**

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 2019	CETIN	O2 Czech Republic	O2 Slovak Republic	Telenor Hungary	Telenor Bulgaria	Telenor Serbia & MNE	Unallocated segment	Eliminations	**Consolidated**
Revenue from external customers	143	592	143	254	182	196	1	-	1,511
Inter-segment revenue	205	11	3	1	2	4	15	(241)	-
Total revenue	**348**	**603**	**146**	**255**	**184**	**200**	**16**	**(241)**	**1,511**
Operating expenses	(185)	(426)	(87)	(151)	(97)	(117)	(15)	241	(837)
Net gain/loss from sale of investments in subsidiaries	-	1	-	-	-	-	-	-	1
EBITDA	**163**	**178**	**59**	**104**	**87**	**83**	**1**	**-**	**675**
Depreciation and amortisation	(88)	(94)	(28)	(61)	(39)	(43)	(1)	5	(349)
Amortisation of costs to obtain or fulfil a contract	-	(8)	(3)	(3)	(6)	(3)	-	-	(23)
Impairment loss	-	-	-	-	-	(3)	-	-	(3)
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)
Segment assets	2,406	2,275	567	1,218	846	1,096	625	(794)	8,239
Segment liabilities	1,553	1,282	281	292	186	237	2,847	(556)	6,122
Segment equity	**853**	**993**	**286**	**926**	**660**	**859**	**(2,222)**	**(238)**	**2,117**

In millions of EUR

30 June 2018	CETIN	O2 Czech Republic	O2 Slovak Republic	Telenor Hungary*	Telenor Bulgaria*	Telenor Serbia & MNE*	Unallocated segment	Eliminations	**Consolidated**
Revenue from external customers	192	585	139	-	-	-	-	-	916
Inter-segment revenue	200	11	2	-	-	-	-	(213)	-
Total revenue	**392**	**596**	**141**	**-**	**-**	**-**	**-**	**(213)**	**916**
Operating expenses	(246)	(436)	(89)	-	-	-	(2)	213	(560)
Net gain/loss from sale of investments in subsidiaries	-	-	-	-	-	-	-	-	-
EBITDA	**146**	**160**	**52**	**-**	**-**	**-**	(2)	**-**	**356**
Depreciation and amortisation	(78)	(72)	(28)	-	-	-	-	-	(178)
Amortisation of costs to obtain or fulfil a contract	-	(7)	(2)	-	-	-	-	-	(9)
Impairment loss	-	-	-	-	-	-	-	-	-
EBIT	**68**	**81**	**22**	**-**	**-**	**-**	**(2)**	**-**	**169**
Finance income	-	1	-	-	-	-	-	-	1
Finance expense	(9)	(3)	-	-	-	-	(4)	-	(16)
Profit for the period before tax	**59**	**79**	**22**	**-**	**-**	**-**	**(6)**	**-**	**154**
Income tax expense	(11)	(15)	(6)	-	-	-	-	-	(32)
Profit for the period	**48**	**64**	**16**	**-**	**-**	**-**	**(6)**	**-**	**122**
Capital expenditure	(67)	(37)	(17)	-	-	-	-	-	(121)
Other significant non-cash expenses	(1)	(3)	(1)	-	-	-	-	-	(5)
31 December 2018									
Segment assets	2,238	1,890	517	1,237	807	1,038	177	(367)	7,537
Segment liabilities	1,352	772	195	132	112	143	2,797	(129)	5,374
Segment equity	**886**	**1,118**	**322**	**1,105**	**695**	**895**	**(2,620)**	**(238)**	**2,163**

**Telenor Hungary, Telenor Bulgaria and Telenor Serbia & MNE were acquired during the second half of 2018*

E. Notes to the consolidated financial statements

E.1. Revenue

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

Revenue from the telecommunication business comprises the following:

In millions of EUR, for six months ended 30 June

	2019	2018
Mobile originated revenue	1,143	521
Fixed originated revenue	208	202
International transit revenue	102	156
Other wholesale revenue	48	34
Other sales	6	-
Revenue from telecommunication business	**1,507**	**913**
out of which:		
Services/products transferred over time	1,316	845
Services/products transferred at a point in time	191	68

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 six months ended 30 June

	2019	2018
Services/products transferred over time	1,316	845
Czech Republic	583	578
Slovakia	123	124
Germany	12	27
Switzerland	5	22
Hungary	209	-
Bulgaria	119	-
Serbia & Montenegro	171	-
Other	94	94
Services/products transferred at a point in time	191	68
Czech Republic	41	43
Slovakia	26	25
Hungary	37	-
Bulgaria	60	-
Other	27	-

E.1.3. Incremental costs to obtain or fulfil contracts

In millions of EUR

	2019	2018
Balance as at 1 January	48	22
Additions through business combinations	-	22
Capitalised costs to obtain or fulfil contracts	26	32
Amortisation of capitalised costs to obtain or fulfil contracts	(23)	(28)
Balance as at 30 June	**51**	**48**

E.2. Other income from non-telecommunication services

Other income comprises the following:

In millions of EUR, for six months ended 30 June

	2019	2018
Rental income	2	-
Other income	2	3
Total other income from non-telecommunication services	**4**	**3**

E.3. Operating expenses

Operating expenses comprise the following:

In millions of EUR, for six months ended 30 June

	2019	2018
Supplies	305	255
Cost of telco and other devices sold (inventories)	174	61
Employee compensation	122	72
Payroll related taxes	37	28
Rental, maintenance and repair expense	40	54
Information technologies	33	30
Commissions	15	12
Advertising and marketing	20	13
Professional services	13	6
Telecommunication and postage	7	4
Taxes other than income tax	9	9
Net impairment losses on PPE and intangible assets	1	-
Net impairment losses on trade and other receivables	9	5
Restructuring charge	3	-
Other	49	11
Total operating expenses	**837**	**560**

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

E.4. Finance income and finance costs

Finance income comprises the following:

In millions of EUR, for six months ended 30 June

	2019	2018
Interest income	11	1
Total finance income	**11**	**1**

Finance costs comprises the following:

In millions of EUR, for six months ended 30 June

	2019	2018
Interest expenses	73	13
Net loss on financial derivatives	34	-
Fee and commission expense	1	1
Net foreign currency losses	6	2
Total finance costs	**114**	**16**

E.5. Income taxes

E.5.1. Income tax expense

Income tax expense comprises the following:

In millions of EUR, for six months ended 30 June

	2019	2018
Current tax expense	(70)	(38)
Deferred tax benefit	20	6
Total income tax expense	**(50)**	**(32)**

E.6. Property, plant and equipment

Property, plant and equipment comprise the following:

In millions of EUR

30 June 2019	Land and buildings	Ducts, cables and related plant	Telecom technology and related equipment	Other tangible assets and equipment	Construction in progress	**Total**
Cost	378	1,745	1,106	224	154	3,607
Accumulated depreciation and impairment	(106)	(420)	(469)	(84)	(1)	(1,080)
Total PPE	**272**	**1,325**	**637**	**140**	**153**	**2,527**

In millions of EUR

31 December 2018	Land and buildings	Ducts, cables and related plant	Telecom technology and related equipment	Other tangible assets and equipment	Construction in progress	**Total**
Cost	369	1,705	1,042	222	151	3,489
Accumulated depreciation and impairment	(97)	(381)	(387)	(71)	(1)	(937)
Total PPE	**272**	**1,324**	**655**	**151**	**150**	**2,552**

E.7. Right-of-use assets

Right-of-use assets comprise the following:

In millions of EUR, as at 30 June 2019

Cost	562
Accumulated depreciation and impairment	(43)
Total right-of-use assets	**519**

E.8. Intangible assets and goodwill

Intangible assets comprise the following:

In millions of EUR

30 June 2019	Software	Valuable rights (Trademark)	Licences	Customer relationships	Other intangible assets	Construction in progress	**Total**
Cost	466	187	789	1,334	77	69	2,922
Accumulated amortisation and impairment	(246)	(137)	(221)	(373)	(21)	-	(998)
Total intangible assets	**220**	**50**	**568**	**961**	**56**	**69**	**1,924**

In millions of EUR

31 December 2018	Software	Valuable rights (Trademark)	Licences	Customer relationships	Other intangible assets	Construction in progress	**Total**
Cost	453	193	785	1,326	67	22	2,846
Accumulated amortisation and impairment	(208)	(125)	(180)	(309)	(12)	-	(834)
Total intangible assets	**245**	**68**	**605**	**1,017**	**55**	**22**	**2,012**

Acquired licences represent the rights to operate cellular networks. The licences are technologically neutral. The Group uses the following standards for the operation of cellular networks in the Czech Republic, Slovakia, Hungary, Bulgaria, Serbia and Montenegro: GSM (Global System for Mobile Communication, the second generation technology), UMTS (Universal Mobile Telecommunication System, the third generation mobile cellular technology for networks), CDMA (Code Division Multiple Access) and LTE (Long Term Evolution).

Valuable rights comprise the licence agreement to use the O2 brand in the Czech Republic and Slovakia initially until January 2019. In 2018, the Group extended the O2 brand license period until January 2022. The Group will be entitled to extend the O2 brand licence by another five years, i.e. until January 2027. As the part of the 2018 acquisition, the Group acquired the licence agreement to use the Telenor brand in Hungary, Bulgaria, Serbia and Montenegro until April 2021.

Customer relationships are an asset ensuring a long-term revenue stream from customers who have made commitments to purchase specific amounts of products or services.

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

E.8.1. Goodwill

Goodwill is allocated to individual CGUs as follows:

In millions of EUR

	30 June 2019	31 December 2018
O2 CR – Czech operations	400	396
O2 CR – Slovak operations	40	40
CETIN	111	108
Telenor Hungary	431	435
Telenor Bulgaria	219	219
Telenor Serbia	367	369
Telenor Montenegro	42	42
Total Goodwill	**1,610**	**1,609**

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 2019	31 December 2018
Financial assets at FVTPL*	1	2
Financial assets at FVOCI*	1	-
Receivables due from banks*	9	6
Trade and other receivables	49	59
Non-current	**60**	**67**
Financial assets at FVTPL*	1	174
Receivables due from banks*	4	6
Trade and other receivables	589	575
Current	**594**	**755**
Total financial assets	**654**	**822**

*presented as other financial assets

E.9.1. Financial assets/liabilities at fair value through profit or loss

Financial assets at fair value through profit or loss comprise the following:

In millions of EUR,

	30 June 2019	31 December 2018
Hedging derivatives	1	2
Czech treasury bills	-	173
Corporate bonds	1	1
Financial assets at FVTPL	**2**	**176**

Treasury bills issued by the Czech National Bank amounting to MEUR 173 with remaining maturity less than 1 year were redeemed in full on 2 January 2019.

Financial liabilities at fair value through profit or loss comprise the following:

In millions of EUR

	30 June 2019	31 December 2018
Currency derivatives	62	39
Interest rate derivatives	15	14
Hedging derivatives	5	-
Financial liabilities at FVTPL	**82**	**53**

E.9.2. Receivables due from banks

Receivables due from banks comprise the following:

In millions of EUR

	30 June 2019	31 December 2018
Cash collateral for derivative instruments	9	6
Non-current	**9**	**6**
Other	4	6
Current	**4**	**6**
Total receivables due from banks	**13**	**12**

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

E.9.3. Trade and other receivables

Trade and other receivables comprise the following:

In millions of EUR

	30 June 2019	31 December 2018
Trade receivables	70	74
Subtotal (gross) - non-current	**70**	**74**
Individual allowances for impairment on trade and other receivables	(5)	(15)
Subtotal (net) - non-current	**65**	**59**
Trade receivables	592	572
Accrued income	37	35
Subtotal (gross) - current	**629**	**607**
Individual allowances for impairment on trade and other receivables	(56)	(32)
Subtotal (net) - current	**573**	**575**
Carrying amount trade and other receivables - total	**638**	**634**

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 2019	31 December 2018
Contract assets	**79**	**80**
Non-current part	23	30
Current part	56	50
Contract liabilities	**(102)**	**(90)**
Non-current part	(57)	(58)
Current part	(45)	(32)

There was no allowance for impairment in respect of contract assets in MEUR during 2019 and 2018.

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 2019	31 December 2018
Deferred expenses and advances	18	16
Other assets	-	3
Non-current	**18**	**19**
Deferred expenses and advances	40	36
Other tax receivables	6	6
Other assets	14	8
Current	**60**	**50**
Total other assets	**78**	**69**

E.12. Inventories

Inventories comprise the following:

In millions of EUR

	30 June 2019	31 December 2018
Gross value of goods	84	78
Impairment losses on goods	(7)	(5)
Net value of goods	**77**	**73**

E.13. Cash and cash equivalents

Cash and cash equivalents comprise the following:

In millions of EUR

	30 June 2019	31 December 2018
Current accounts	709	261
Cash on hand	2	1
Total cash and cash equivalents	**711**	**262**

E.14. Due to banks

Liabilities due to banks comprise the following:

In millions of EUR

	30 June 2019	31 December 2018
Secured loans (other than repo)	2,212	2,608
Unsecured loans	571	407
Non-current	**2,783**	**3,015**
Secured loans (other than repo)	-	129
Unsecured loans	2	1
Current	**2**	**130**
Total secured loans	**2,785**	**3,145**

In March 2018, the Parent Company entered into a facilities agreement with a syndicate of banks. In July 2018, under this agreement the Parent Company utilised secured term loan facilities amounting to MEUR 2,396 and MCZK 10,172. In March 2019, the secured term loan facilities were restructured and partially refinanced by Euro medium term notes issued by the Parent Company in the total amount of MEUR 550 (refer to E.13). As at 30 June 2019, the outstanding amounts of the secured term loan facilities were MEUR 1,925 and MCZK 8,323. 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 2019 and 31 December 2018, a committed revolving facility of MEUR 200 has not been utilised. The facilities are secured *inter allia* by pledges over all shares of the Parent Company, PPF TMT Bidco 1 B.V., PPF Telco B.V., PPF Infrastructure B.V. and the Telenor operating entities (refer to E.19.4). As at 30 June 2019 and 31 December 2018, the Group complied with the financial covenants imposed by its loan facilities.

The following loans are EUR-denominated:

Repayable by	2023	2024
Margin rate over 3M EURIBOR	1.25% - 2.50%	1.25% - 3.00%
Actual respective margin levels applicable	1.50%	1.50%

The EUR loans were used to finance the acquisition of Telenor Group telecommunications assets in Central and Eastern Europe (refer to B.2.1.).

The following loans are CZK-denominated:

Repayable by	2023	2024
Margin rate over 3M PRIBOR	1.00% - 2.00%	1.00% - 2.50%
Actual respective margin levels applicable	1.00%	1.00%

The CZK loans were used to fully refinance the existing loan facilities related to refinancing of deferred purchase price for O2 CZ (MEUR 395 in 2017).

Unsecured loans comprise a long term facility agreement with 5-year maturity (until 2020) and a credit limit of MEUR 470. The facility is in Czech crowns and bears an interest rate of 1M PRIBOR + 0.6%. As at 30 June 2019, the Group utilised a total of MEUR 275 (2018: MEUR 272). In April 2017, the Group completed the subscription of six tranches of Schuldschein financing amounting to MEUR 137 (comprising tranches of MCZK 2,970 and MEUR 20) with maturity of 5 to 7 years. In April 2019, the Group completed the subscription of four tranches of new Schuldschein financing amounting to MEUR 160 with maturity of 5 to 7 years.

E.15. Debt securities issued

Debt securities issued compromise the following:

In millions of EUR

	Date of issue	Maturity	Fixed rate	30 June 2019	31 December 2018
Unsecured bond (MEUR 625)	2016	2021	1.42%	629	623
Unsecured bond (MCZK 4,866)	2016	2023	1.25%	191	189
Unsecured bond (MEUR 550)	2019	2026	3.13%	548	-
Total debt securities issued				**1,368**	**812**

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. Under this programme, on 27 March 2019, the Group issued an unsecured bond amounting to MEUR 548. The Group has an early redemption option until December 2025 that is not expected to be utilised. The unused capacity of the programme is currently MEUR 2,450 as at 30 June 2019. Proceeds from bond issue were used to partially repay the Group secured loans.

E.16. Trade and other payables

Trade and other payables comprise the following:

In millions of EUR

	30 June 2019	31 December 2018
Settlements with suppliers	26	37
Deferred income and prepayments	-	2
Advances received	2	-
Other liabilities	1	1
Non-current	**29**	**40**
Settlements with suppliers	462	499
Wages and salaries	34	33
Social security and health insurance	13	12
Other tax payable	36	36
Accrued expense	96	105
Deferred income and prepayments	15	32
Advances received	5	-
Other liabilities	94	28
Current	**755**	**745**
Total trade and other payables	**784**	**785**

As at 30 June 2019, other liabilities comprise the unpaid dividend and share premium distribution to NCI amounting to MEUR 77 declared by O2 Czech Republic a.s.

E.17. Provisions

Provisions comprises the following:

In millions of EUR

	30 June 2019	31 December 2018
Fixed asset retirement obligation	42	33
Provision for litigations except for tax issues	1	2
Provision for restructuring	2	-
Other provisions	5	5
Non - current	**50**	**40**
Fixed asset retirement obligation	1	1
Provision for litigations except for tax issues	4	3
Provision for restructuring	1	2
Other provisions	6	7
Current	**12**	**13**
Total provisions	**62**	**53**

The Group recognised a provision for estimated cost of dismantling and removing assets and restoring sites of MEUR 43 (2018: MEUR 34). The amount of the provision is affected by the increased estimate of the present value of the future costs of dismantling, removing of assets and restoring sites in connection with network construction. Scenarios of future costs based on management estimations, market prices, and historical costs were discounted to present value. Discount rates are paired to the expected dates of any future dismantling and removing of assets.

Other provisions consists of several non-material provision including CETIN provision amounting to MEUR 1 (2018: MEUR 3). This provision represents costs which will occur in connection with the sale of the seat of the subsidiary. These costs are mainly removal costs and costs connected with the premature termination of some rental services. Other provisions include above all a provision for redundancy cost.

E.18. 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 2019	31 December 2018
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 2019, the share premium amounts to MEUR 1,417 (2018: MEUR 1,341). The increase in the share premium was caused by the change of functional currency of the Parent (refer to A.6). The share premium is freely distributable.

During 2019, the Parent Company paid dividends amounting to MEUR 120.

E.19. Other reserves

E.19.1. 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.20. Non-controlling interests

The following table summarises the information relating to O2 CR and CETIN that are consolidated subgroups with NCI:

In millions of EUR

As at 30 June 2019	**O2 CR**	**CETIN**
NCI percentage (ownership)	**32.31%**	**10.27%**
Total assets	2,035	2,295
Total liabilities	(1,434)	(1,553)
Net assets	**601**	**742**
Carrying amount of NCI	194	77
NCI percentage during the period	**32.31%**	**10.27%**
Revenue	739	345
Profit/(loss)	77	56
Profit/(loss) allocated to NCI	24	6
OCI allocated to NCI	-	-
Dividends paid to NCI	**64**	**10**

In millions of EUR

As at 31 December 2018	**O2 CR**	**CETIN**
NCI percentage (ownership)	**32.31%**	**10.27%**
Total assets	1,661	2,128
Total liabilities	(894)	(1,352)
Net assets	**767**	**776**
Carrying amount of NCI	248	80
As at 30 June 2018		
NCI percentage during the period*	**29.74%**	**10.27%**
Revenue	724	387
Profit/(loss)	83	48
Profit/(loss) allocated to NCI	25	5
OCI allocated to NCI	-	-
Dividends paid to NCI	**64**	**11**

*The NCI for O2 CR changed during the period due to several transactions. The average NCI percentage during the period was used.

E.21. Off-balance sheet items

E.21.1. Lease agreements

The aggregate future minimum lease payments under operating leases (in which the Group is the lessee):

In millions of EUR

	31 December 2018
Less than 1 year	76
Between 1 and 5 years	199
More than 5 years	199
Total payables under non-cancellable operating leases	**474**

The less-than-one-year category includes commitments from cancellable contracts due to longer notice period.

The impact of the forthcoming new lease standard IFRS 16 effective from 1 January 2019 is described in F.1.1.

E.21.2. Commitments

In millions of EUR

	30 June 2019	31 December 2018
Guarantees provided	9	8
Capital expenditure commitments – PPE	41	35
Capital expenditure commitments – intangible assets	16	18
Other	21	19
Total commitments and contingent liabilities	**87**	**80**

On 25 May 2018 CETIN signed a new lease contract for the lease of its head office's new premises effective from autumn 2019. The contracted term is 12 years. CETIN has limited rights to terminate the contract, therefore an off-balance sheet liability of MEUR 21 (2018: MEUR 19) is presented as other commitment.

E.21.3. Off-balance sheet assets

In millions of EUR

	30 June 2019	31 December 2018
Guarantees received	10	10
Loan commitments received	221	220
Total commitments and contingent assets	**231**	**230**

E.21.4. Assets pledged as security

The Group has pledged certain assets as collateral for its funding liabilities. As at 30 June 2019 and 31 December 2018, the pledged asset 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., PPF Infrastructure B.V. and the Telenor operating entities (with exception of 25% shares of Telenor Hungary not pledged as collateral).

E.21.5. 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 hasn´t decided on the appeal in merit yet.

The legal action under which Vodafone Czech Republic a.s. claims amount MEUR 15 was served on O2 CR on 2 April 2015. Vodafone Czech Republic a.s. claims that O2 CR allegedly breached the competition rules regarding broadband internet connection via xDSL technology during the years 2009 to 2014. The legal action was filed less than a week after the two-page pre-litigation letter had been delivered to O2 CR. According to O2 CR, the legal action is an artificially created case primarily aimed at damaging O2 CR with adverse media coverage. Vodafone Czech Republic a.s. claims that lost profit was caused by the failure to acquire 200,000 xDSL customers. O2 CR has provided the court with its statement pointing out of the groundlessness of the claim. The Municipal court in Prague dismissed the application of Vodafone which sought for access to all documents and information of O2 CR which could support the claim. The court stated that Vodafone hasn´t even fulfilled the elementary procedural conditions yet, namely the legal action does not contain the arguments, which would at least indicate that there is any damage caused to Vodafone by O2 CR. This statement is also supported by decision of the Antimonopoly Office from 23 January 2019 issued in the independent administrative proceedings. Vodafone filed the appeal against the dismissal and O2 CR filed its statement.

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.

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.21.6. Regulatory investigations

In October 2016, the European Commission announced that it opened formal antitrust proceedings to investigate the network sharing cooperation between O2 CR, CETIN and T-Mobile Czech Republic. The European Commission examines whether this cooperation restricts competition in the Czech Republic, thereby harming innovation in breach of EU antitrust rules. The investigation before the European Commission relates to the network sharing agreements and their compatibility with EU competition laws.

On 7 August 2019, European Commission sent to the companies involved a so-called "statement of objections", in which the Commission expressed its preliminary and provisional conclusion that the sharing agreements restrict competition and therefore infringe the European competition rules. Nevertheless, the statement of objections is merely a procedural step in the ongoing investigation, which in no way predetermines the final decision on the matter.

The Group including its individual entities involved in the case (i.e. O2 Czech Republic and CETIN) is convinced that their conduct has been in accordance with applicable legal and regulatory rules and is prepared to dispel the preliminary concerns of the European Commission. No provision was recognised in these consolidated interim financial statements.

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.22. 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.22.1. Transactions with direct and indirect parents

In 2018, immediately after the closing of the transaction with Telenor the Group transferred the deferred purchase price to PPF TMT Holdco 1 B.V., an indirect parent of PPF Arena 1 B.V. and a subsidiary of the ultimate parent. The liability was transferred for its carrying amount, i.e. MEUR 400, with no effect on the consolidated profit (refer to B.2.1).

E.22.2. Transactions with fellow subsidiaries

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

In millions of EUR

	30 June 2019	31 December 2018
Receivables due from banks	13	6
Trade and other receivables	2	1
Cash and cash equivalents	339	50
Other assets	2	-
Investment securities	-	1
Negative fair value of hedging derivatives	(5)	-
Debt securities issued	(8)	-
Trade and other payables	(45)	(4)

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

	30 June 2019	30 June 2018
Revenue from telecommunication business	2	1
Interest income	1	-
Net gain on financial assets	1	-
Other operating expenses	(8)	(3)

F. Significant accounting policies

F.1. Significant accounting policies

The Group applies the same accounting policies in these condensed interim consolidated financial statements as were applied in the recent annual consolidated financial statements for the year ended 31 December 2018, except for the changes described below.

F.1.1. IFRS 16 Leases (effective from 1 January 2019)

The Group adopted IFRS 16, which specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all major leases.

The impact of the transition is shown in the text below. The Group's accounting policy under IFRS 16 is as follows:

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

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Group is reasonably certain to exercise that option. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The Group presents right-of-use assets that do not meet the definition of investment property in "property, plant and equipment", the same line item as it presents underlying assets of the same nature that it owns.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

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

Impact of transition to IFRS 16

Effective 1 January 2019, the Group adopted IFRS 16 using the modified retrospective approach and accordingly the information presented for 2018 has not been restated. The information presented for 2018 remains as previously reported under IAS 17 and related interpretations.

On transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted for any prepaid or accrued lease payments.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The Group has also elected to apply the practical expedient to grandfather the assessment of which transactions are leases on the date of initial application, as previously assessed under IAS 17 and IFRIC 4.

The Group applied the definition of a lease under IFRS 16 to contracts entered into or changed on or after 1 January 2019. The following table reconciles the Group's operating lease obligations at 31 December 2018, as previously disclosed in the Group's consolidated financial statements, to the lease obligations recognized on initial application of IFRS 16 at 1 January 2019.

In millions of EUR

	1 January 2019	30 June 2019
Right-of-use assets	530	519
Deferred tax asset	-	-
Lease liabilities	(530)	(510)
Retained earnings	-	-

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted average rate applied is 3.03%.

In millions of EUR

	1 January 2019
Operating lease commitments at 31 December 2018 as disclosed in E.21.1	475
Discounted using the incremental borrowing rate at 1 January 2019	**(79)**
Finance lease liabilities recognised as at 31 December 2018	-
Recognition exemption for leases of low-value asset	(3)
Recognition exemption for leases with less than 12 months of lease term at transition	-
Extension options reasonably certain to be exercised and other	137
Lease liabilities recognised at 1 January 2019	**530**

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised MEUR 519 of right-of-use assets and MEUR 510 of lease liabilities as at 30 June 2019.

Also in relation to those leases under IFRS 16, the Group has recognised depreciation and interest costs, instead of operating lease expense. During the six months ended 30 June 2019, the Group recognised MEUR 40 of depreciation charges and MEUR 8 of interest costs from these leases. This effected the value of EBITDA, reported in amount of MEUR 675. Value of EBITDA without the adoption of IFRS 16 was calculated in amount of MEUR 627.

F.1.2. Other relevant effective requirements

IFRIC 23 Uncertainty over Income Tax Treatments (effective from 1 January 2019)

IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by the tax authorities, whilst also aiming to enhance transparency. Under IFRIC 23, the key test is whether it is probable that the tax authorities will accept an entity’s chosen tax treatment. If it is probable that the tax authorities will accept the uncertain tax treatment then the tax amounts recorded in the financial statements are consistent with the tax return with no uncertainty reflected in measuring current and deferred taxes. Otherwise, the taxable income (or tax loss), tax bases, and unused tax losses shall be determined in a way that better predicts the resolution of the uncertainty, using either the single most likely amount or expected (sum of probability weighted amounts) value. An entity must assume the tax authority will examine the position and will have full knowledge of all relevant information.

These interpretations have been adopted by the EU.

These interpretations did not have a significant impact on the Group’s financial statements.

Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation (effective from 1 January 2019)

In October 2018 IASB issued amendments to IFRS 9 Prepayment Features with Negative Compensation. These amendments enable entities to measure some pre-payable financial assets with so-called negative compensation at amortised cost.

These amendments have been adopted by the EU.

These amendments did not have a significant impact on the Group’s financial statements.

Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures (effective from 1 January 2019)

The amendments to IAS 28 Investments in Associates and Joint Ventures clarify that companies account for long-term interests in an associate or joint venture to which the equity method is not applied using IFRS 9.

These amendments have been adopted by the EU.

These amendments did not have a significant impact on the Group's financial statements.

Annual Improvements to IFRS Standards 2015-2018 Cycle (effective from 1 January 2019)

In February 2018, the IASB published Annual Improvements to IFRSs 2014-2016 Cycle as part of the annual improvements process to make non-urgent but necessary amendments to IFRS. The new cycle of improvements contains amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23.

These annual improvements have been adopted by the EU.

These amendments did not have a significant impact on the Group's financial statements.

F.2. Standards, interpretations and amendments to published standards that are not yet effective and are 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 2019 and have not been applied in the preparation of the consolidated financial statements. Of these pronouncements, the following will have potentially an impact on the Group's operations. The Group plans to adopt these pronouncements when they become effective.

F.2.1. Relevant not yet effective requirements

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.

These amendments have not yet been adopted by the EU and are not expected to have a significant impact on the Group's financial statements.

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.

These amendments have not yet been adopted by the EU and are not expected to have a significant impact on the Group's financial statements.

G. Subsequent events

In October 2016, the European Commission announced that it opened formal antitrust proceedings to investigate the network sharing cooperation between O2 CR, CETIN and T-Mobile Czech Republic. The European Commission examines whether this cooperation restricts competition in the Czech Republic, thereby harming innovation in breach of EU antitrust rules. The investigation before the European Commission relates to the network sharing agreements and their compatibility with EU competition laws. On 7 August 2019, European Commission sent to the companies involved a so-called “statement of objections”, in which the Commission expressed its preliminary and provisional conclusion that the sharing agreements restrict competition and therefore infringe the European competition rules. Nevertheless, the statement of objections is merely a procedural step in the ongoing investigation, which in no way predetermines the final decision on the matter.

In August 2019, the Group entered into two bank guarantee facility agreements maturing by the end of 2019.

There are no significant events after the reporting period.

24 September 2019

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