PPF GROUP N.V.

Condensed interim consolidated financial statements
for the first half of 2017

KPMG

Review report

To: the Board of Directors of PPF Group N.V.

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements as at 30 June 2017 of PPF Group N.V., Amsterdam, which comprises the statement of financial position as at 30 June 2017, the income statement and the statements of comprehensive income, changes in equity, and cash flows for six-month period ended 30 June 2017, and the notes. Management of the Company is responsible for the preparation and presentation of this condensed interim consolidated financial statements 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 auditing standards 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 interim consolidated financial statements as at 30 June 2017 is not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

Amstelveen, 27 October 2017

KPMG Accountants N.V.

M. Frikkee RA

Contents

Glossary of abbreviations

OCI	- other comprehensive income
NCI	- non-controlling interests
AFS	- available for sale
FVTPL	- fair value through profit or loss
FVOCI	- fair value through other comprehensive income
PPE	- property, plant and equipment
PVFP	- present value of future profits
IPRD	- in-progress research and development
FX	- foreign exchange
CGU	- cash generating unit
RBNS	- provision for claims reported but not settled

Condensed interim consolidated statement of financial position

As at 30 June 2017

In millions of EUR

	Note	30 June 2017	31 December 2016
ASSETS			
Cash and cash equivalents	E1	9,525	4,674
Investment securities	E2	3,250	3,393
Loans and receivables due from banks and other financial institutions	E3	740	555
Loans due from customers	E4	14,036	11,337
Trade and other receivables	E5	369	368
Current tax assets		32	9
Inventories	E6	84	91
Assets held for sale	E7	3	31
Investments in associates and joint ventures	E8	416	377
Investment property	E9	1,433	1,505
Property, plant and equipment	E10	2,332	2,269
Intangible assets	E11	1,974	1,935
Deferred tax assets		259	226
Other assets	E12	309	271
TOTAL ASSETS		**34,762**	**27,041**
LIABILITIES			
Financial liabilities at fair value through profit or loss	E2.2	339	411
Due to non-banks	E13	11,476	8,373
Due to banks and other financial institutions	E14	12,226	8,111
Debt securities issued	E15	1,607	1,237
Subordinated liabilities	E16	304	308
Current tax liabilities		87	122
Trade and other payables	E17	1,173	1,094
Provisions	E18	180	191
Deferred tax liabilities		428	431
TOTAL LIABILITIES		**27,820**	**20,278**
CONSOLIDATED EQUITY			
Capital issued	E19	1	1
Share premium		677	677
Other reserves		(532)	(448)
Retained earnings		6,402	6,131
Total equity attributable to owners of the Parent		6,548	6,361
Non-controlling interests	E20	394	402
Total consolidated equity		**6,942**	**6,763**
TOTAL LIABILITIES AND EQUITY		**34,762**	**27,041**

Condensed interim consolidated income statement

For the six months ended 30 June

In millions of EUR

	Note	30 June 2017	30 June 2016*
Interest income		1,632	1,038
Interest expense		(524)	(329)
Net interest income	E21	**1,108**	**709**
Fee and commission income		362	231
Fee and commission expense		(65)	(52)
Net fee and commission income	E22	**297**	**179**
Net gain/(loss) on financial assets	E23	40	(33)
Net impairment losses on financial assets	E24	(448)	(277)
Other banking result		**(408)**	**(310)**
NET BANKING INCOME		**997**	**578**
Net earned premiums		50	49
Net insurance benefits and claims		(14)	(11)
Acquisition costs		(15)	(17)
NET INSURANCE INCOME	E25	**21**	**21**
Net rental and related income	E26	71	70
Property operating expenses		(16)	(16)
Net valuation gain/(loss) on investment property		(32)	(48)
Profit/(loss) on disposal of investment property		(1)	-
Net income related to construction contracts		2	2
NET REAL ESTATE INCOME		**24**	**8**
Telecommunication income		871	847
Telecommunication expenses		(319)	(305)
NET TELECOMMUNICATION INCOME	E27	**552**	**542**
Net agriculture income	E28	4	4
Other income	E29	34	130
OTHER OPERATING INCOME		**38**	**134**
General administrative expenses	E30	(993)	(727)
Other operating expenses	E31	(269)	(235)
OPERATING EXPENSES		**(1,262)**	**(962)**
Net gain/(loss) from sale of subsidiaries and associates		(3)	1
Share of earnings of associates/joint ventures	E8	43	18
PROFIT BEFORE TAX		**410**	**340**
Income tax expense	E32	(117)	(85)
NET PROFIT FROM CONTINUING OPERATIONS		**293**	**255**
Profit/(loss) from discontinued operations	E33	**-**	(7)
NET PROFIT FOR THE PERIOD		**293**	**248**
Net profit attributable to non-controlling interests	E20	25	5
NET PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT		**268**	**243**

* Represented for discontinued operations

Condensed interim consolidated statement of comprehensive income

For the six months ended 30 June

In millions of EUR

	30 June 2017	30 June 2016
NET PROFIT FOR THE PERIOD	**293**	**248**
Other comprehensive income*		
Valuation gains/(losses) on AFS	(29)	7
AFS revaluation losses transferred to income statement	-	(12)
Currency translation differences	(75)	56
Cash flow hedge - net amount transferred to profit or loss	-	2
Income tax relating to components of other comprehensive income	3	1
Other comprehensive income/(expense) for the period (net of tax)	**(101)**	**54**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**192**	**302**
Total comprehensive income attributable to non-controlling interests	9	5
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT	**183**	**297**

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

The condensed interim consolidated financial statements were approved by the Board of Directors on 27 October 2017.

Condensed interim consolidated statement of changes in equity

In millions of EUR, for the for the six months ended 30 June 2017

	Issued capital	Share premium	Available for sale reserve	Legal and statutory reserves	Translation reserve	Retained earnings	Attributable to owners of the Parent	Attributable to non-controlling interests	Total
Balance at 1 January 2017	**1**	**677**	**(40)**	**65**	**(473)**	**6,131**	**6,361**	**402**	**6,763**
Profit for the period	-	-	-	-	-	268	268	25	293
Currency translation differences	-	-	-	-	(60)	-	(60)	(15)	(75)
Valuation losses taken to equity for AFS	-	-	(28)	-	-	-	(28)	(1)	(29)
Tax on items taken directly to or transferred from equity	-	-	3	-	-	-	3	-	3
Total comprehensive income for the period	**-**	**-**	**(25)**	**-**	**(60)**	**268**	**183**	**9**	**192**
Net allocation to legal and statutory reserves	-	-	-	1	-	(1)	-	-	-
Dividends to shareholders	-	-	-	-	-	(40)	(40)	-	(40)
Dividends to NCI	-	-	-	-	-	-	-	(34)	(34)
Other changes in NCI	-	-	-	-	-	44	44	17	61
Total transactions with owners of the Company	**-**	**-**	**-**	**1**	**-**	**3**	**4**	**(17)**	**(13)**
Balance at 30 June 2017	**1**	**677**	**(65)**	**66**	**(533)**	**6,402**	**6,548**	**394**	**6,942**

In millions of EUR, for the for the six months ended 30 June 2016

	Issued capital	Share premium	Available for sale reserve	Legal and statutory reserves	Translation reserve	Hedging reserve	Retained earnings	Attributable to owners of the Parent	Attributable to non-controlling interests	Total
Balance at 1 January 2016	**1**	**677**	**15**	**44**	**(794)**	**(2)**	**5,222**	**5,163**	**517**	**5,680**
Profit for the period	-	-	-	-	-	-	243	243	5	248
Currency translation differences	-	-	-	-	56	-	-	56	-	56
Valuation gains taken to equity for AFS	-	-	7	-	-	-	-	7	-	7
AFS revaluation gains transferred to income statement	-	-	(12)	-	-	-	-	(12)	-	(12)
Effect of hedge accounting	-	-	-	-	-	2	-	2	-	2
Tax on items taken directly to or transferred from equity	-	-	1	-	-	-	-	1	-	1
Total comprehensive income for the period	**-**	**-**	**(4)**	**-**	**56**	**2**	**243**	**297**	**5**	**302**
Net allocation to legal and statutory reserves	-	-	-	2	-	-	(2)	-	-	-
Dividends to NCI	-	-	-	-	-	-	-	-	(29)	(29)
Other changes in NCI	-	-	-	-	-	-	(48)	(48)	(95)	(143)
Total transactions with owners of the Company	**-**	**-**	**-**	**2**	**-**	**-**	**(50)**	**(48)**	**(124)**	**(172)**
Balance at 30 June 2016	**1**	**677**	**11**	**46**	**(738)**	**-**	**5,415**	**5,412**	**398**	**5,810**

Condensed interim consolidated statement of cash flows

For the first half ended 30 June, prepared using the indirect method

In millions of EUR

	2017	2016
Cash flows from operating activities		
Profit before tax (including discontinued operations)	410	331
Adjustments for:		
Gains/losses on disposal of consolidated subsidiaries/associates	3	(1)
Interest expense	525	336
Interest income	(1,632)	(1,039)
Other adjustments	(116)	895
Interest received	1,866	1,123
Change in assets and liabilities	(588)	(527)
Net cash from operating activities	**468**	**1,118**
Cash flows from investing activities		
Dividends received	-	10
Purchase of tangible assets and intangible assets	(214)	(172)
Purchase of investment property	(5)	(9)
Acquisition of subsidiaries and associates, net of cash acquired	(10)	(174)
Proceeds from disposal of subsidiaries and associates, net of cash disposed	91	5
Other movements	164	(47)
Net cash from/(used in) investing activities	**26**	**(387)**
Cash flows from financing activities		
Interest paid	(642)	(380)
Dividends and other distribution paid to NCI	(34)	(29)
Change in debt securities issued	394	(474)
Change in loans from banks and other financial institutions	4,614	1,398
Cash flow from financing activities	**4,332**	**515**
Net increase in cash and cash equivalents	**4,826**	**1,246**
Cash and cash equivalents as at 1 January	**4,674**	**2,732**
Effect of exchange rate changes on cash and cash equivalents	25	15
Cash and cash equivalents as at 30 June	**9,525**	**3,993**

Cash flow lines directly attributable to the income statement comprise both continuing and discontinued operations.

In the second part of 2016, the Group changed the presentation of interest received from investment to operating activities. The comparative figures have been restated accordingly.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

A. General

A.1. Description of the Group

PPF Group N.V. (the "Parent Company" or the "Parent") is a company domiciled in the Netherlands. It invests in multiple market segments such as banking and financial services, telecommunications, real estate, insurance, agriculture and biotechnology. Its activities span from Europe to Russia, the US and across Asia.

The condensed interim consolidated financial statements of the Parent Company for the six month period ended 30 June 2017 comprise the Parent Company and its subsidiaries (together referred to as "PPF Group" or the "Group") and the Group's interests in associates, joint ventures and affiliated entities. Refer to Section B of these financial statements for a listing of significant Group entities and changes to the Group in 2017 and 2016.

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

As at 30 June 2017, the ultimate shareholder structure was as follows:

Petr Kellner - 98.92% (directly and indirectly)
Ladislav Bartoníček - 0.54% (indirectly)
Jean-Pascal Duvieusart - 0.54% (indirectly)

A.2. Statement of compliance

These condensed interim consolidated 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 2016. These condensed interim consolidated interim financial statements do not include all the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards.

A.3. Basis of preparation

Dutch accounting legislation enables the Group to prepare these condensed interim consolidated financial statements in accordance with IFRS (as adopted by the EU).

The financial statements are presented in euros (EUR), which is the Company's functional currency and the Group's reporting currency, rounded to the nearest million.

The financial statements have been prepared on a historical cost basis, except for the following assets and liabilities which are stated at their fair value: derivative financial instruments, financial instruments held for trading, financial instruments designated upon initial recognition as financial instruments at fair value through profit or loss, financial instruments classified as available for sale, investment property and biological assets. Financial assets and liabilities and non-financial assets and liabilities which are 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 carrying amount and fair value less costs to sell.

A.4. Use of judgements and estimates

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

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

Classification of retail business as discontinued operations

On 8 December 2016, acting through its subsidiary Facipero Investments Ltd., the Group sold its 100% stake in Eldorado LLC. Eldorado is a Russian retailer of consumer electronic and domestic appliances in which the Group held an 80% effective share. As the Eldorado retail business was considered a separate major line of business, its performance is presented in the consolidated financial statements as discontinued operations. The consolidated income statement for the six months of 2016 was represented accordingly. Refer to E.33 for more information.

Classification of reverse repo with central banks

Loans provided under reverse repo with central banks were previously presented within Loans and receivables due from banks and other financial institutions. Since 2017, the category was moved to Cash and cash equivalents. As of 31 December 2016, the comparable balance of reverse repo with central banks amounting to MEUR 285 was restated accordingly.

The reclassification had no impact on the Group's result or equity.

B. Consolidated group and the main changes for the period

B.1. Group entities

The following list shows only significant holding and operating entities that are subsidiaries or associates of the Parent Company as of 30 June 2017 and 31 December 2016.

Company	Domicile	Effective proportion of ownership interest June 2017	Effective proportion of ownership interest December 2016
PPF Group N.V.	Netherlands	Parent Company	Parent Company
Home Credit subgroup -subsidiaries			
Home Credit B.V.	Netherlands	88.62%	88.62%
AB 2 B.V.	Netherlands	88.62%	88.62%
AB 4 B.V.	Netherlands	88.62%	88.62%
AB 7 B.V.	Netherlands	88.62%	88.62%
Air Bank a.s.	Czech Republic	88.62%	88.62%
Asnova Insurance CJSIC	Belarus	88.62%	88.62%
Bank Home Credit SB JSC	Kazakhstan	88.62%	88.62%
CF Commercial Consulting (Beijing) Co., Ltd.	China	88.62%	88.62%
Favour Ocean Ltd.	Hong Kong	88.62%	88.62%
Guangdong Home Credit Number Two Information Consulting Co., Ltd.	China	88.62%	88.62%
HC Consumer Finance Philippines, Inc.	Philippines	88.62%	87.99%
Home Credit a.s.	Czech Republic	88.62%	88.62%
Home Credit and Finance Bank LLC	Russia	88.62%	88.62%
Home Credit Asia Ltd.	Hong Kong	88.62%	88.62%
Home Credit Consumer Finance China Ltd.	China	88.62%	88.62%
Home Credit India Finance Private Ltd.	India	88.62%	88.62%
Home Credit Indonesia PT	Indonesia	75.33%	75.33%
Home Credit Insurance LLC	Russia	88.62%	88.62%
Home Credit International a.s.	Czech Republic	88.62%	88.62%
Home Credit Slovakia, a.s.	Slovakia	88.62%	88.62%
Home Credit US, LLC	USA	44.40%	44.40%
Home Credit Vietnam Finance Company Ltd.	Vietnam	88.62%	88.62%
Homer Software House LLC	Ukraine	88.62%	88.62%
Non-banking Credit and Financial Organization Home Credit OJSC	Belarus	88.62%	88.62%
Shenzhen Home Credit Number One Consulting Co., Ltd. (*renamed*)	China	88.62%	88.62%
Shenzhen Home Credit Xinchi Consulting Co., Ltd. (*renamed*)	China	88.62%	88.62%
Sichuan Home Credit Number Three Socioeconomic Consulting Co., Ltd (*renamed*)	China	88.62%	88.62%
Zonky s.r.o.	Czech Republic	88.62%	88.62%
Other banking subgroup - subsidiaries			
PPF banka a.s.	Czech Republic	92.96%	92.96%
PPF Co3 B.V.	Netherlands	92.96%	92.96%
Ruconfin B.V.	Netherlands	92.96%	92.96%
Real Estate subgroup – subsidiaries			
PPF Real Estate Holding B.V.	Netherlands	100.00%	100.00%

Alrik Ventures Ltd.	Cyprus	100.00%	100.00%
Anthemona Ltd.	Cyprus	100.00%	100.00%
Art Office Gallery a.s.	Czech Republic	100.00%	100.00%
Boryspil Project Management Ltd.	Ukraine	100.00%	100.00%
Bucca Properties Ltd.	BVI	100.00%	100.00%
Capellalaan (Hoofddorp) B.V.	Netherlands	100.00%	100.00%
Celestial Holdings Group Ltd.	BVI	100.00%	100.00%
Dadrin Ltd.	Cyprus	100.00%	100.00%
De Reling (Dronten) B.V.	Netherlands	100.00%	100.00%
EusebiusBS (Arnhem) B.V.	Netherlands	100.00%	100.00%
Fantom LLC	Russia	100.00%	100.00%
Gen Office Gallery a.s.	Czech Republic	100.00%	100.00%
German Properties B.V.	Netherlands	100.00%	100.00%
Glancus Investments Inc.	BVI	100.00%	100.00%
Gorod Molodovo Pokoleniya CJSC	Russia	73.00%	73.00%
Hofplein Offices (Rotterdam) B.V.	Netherlands	100.00%	100.00%
In Vino LLC	Russia	99.90%	99.90%
Intrust NN CJSC	Russia	66.67%	66.67%
Investitsionny Trust CJSC	Russia	78.75%	78.75%
ISK Klokovo LLC	Russia	100.00%	100.00%
Johan H (Amsterdam) B.V.	Netherlands	100.00%	100.00%
Kateřinská Office Building s.r.o.	Czech Republic	100.00%	100.00%
Kvartal Togliatti LLC	Russia	100.00%	100.00%
Langen Property B.V.	Netherlands	100.00%	100.00%
Logistics-A LLC	Russia	100.00%	100.00%
LvZH (Rijswijk) B.V.	Netherlands	100.00%	100.00%
Millennium Tower (Rotterdam) B.V.	Netherlands	100.00%	100.00%
Mitino Sport City LLC	Russia	100.00%	100.00%
Monheim Property B.V.	Netherlands	100.00%	100.00%
Monchyplein (Den Haag) B.V.	Netherlands	100.00%	100.00%
Office Star Nine spol. s r. o.	Czech Republic	100.00%	100.00%
Pompenburg (Rotterdam) B.V.	Netherlands	100.00%	100.00%
PPF Gate, a.s.	Czech Republic	100.00%	100.00%
RC Properties S.R.L.	Romania	100.00%	100.00%
Retail Star 22, spol. s r.o.	Czech Republic	100.00%	100.00%
Roko LLC	Russia	100.00%	100.00%
Ryazan Shopping Mall Ltd.	Cyprus	100.00%	100.00%
Skolkovo Gate LLC	Russia	100.00%	100.00%
Spektr LLC	Russia	100.00%	100.00%
Tanaina Holdings Ltd.	Cyprus	100.00%	100.00%
Telistan Ltd.	Cyprus	99.90%	99.90%
TK Lipetskiy LLC	Russia	100.00%	100.00%
Trigon Berlin B.V.	Netherlands	100.00%	100.00%
Velthemia Ltd.	Cyprus	60.07%	60.07%
Wilhelminaplein B.V.	Netherlands	100.00%	100.00%
Yugo-Vostochnaya promyshlennaya companiya “Kartontara” LLC	Russia	100.00%	100.00%
Areál Ďáblice s.r.o.	Czech Republic	-	100.00%
Slovak Trade Company, s.r.o.	Slovakia	-	57.50%
Real Estate subgroup – associates			
Bohemia LLC	Russia	35.00%	35.00%
Flowermills Holding B.V.	Netherlands	49.94%	49.94%
Gilbey Ltd.	Cyprus	40.00%	40.00%
Komodor LLC	Ukraine	40.00%	40.00%
Marisana Enterprises Ltd.	Cyprus	49.94%	49.94%
Moravia LLC	Russia	35.00%	35.00%
Sigurno Ltd.	Cyprus	40.00%	40.00%
Syner NN LLC	Russia	35.00%	35.00%
Other significant subsidiaries			
Anthiarose Ltd.	Cyprus	100.00%	100.00%

Bavella B.V.	Netherlands	100.00%	100.00%
Bestsport, a.s.	Czech Republic	100.00%	100.00%
CETIN Finance B.V.	Netherlands	100.00%	100.00%
Česká telekomunikační infrastruktura a.s. (“CETIN”)	Czech Republic	100.00%	100.00%
Facipero Investments Ltd.	Cyprus	100.00%	100.00%
Fodina B.V.	Netherlands	100.00%	100.00%
GEMCOL Ltd.	Cyprus	100.00%	100.00%
Lindus Services Ltd.	Cyprus	100.00%	100.00%
O2 Czech Republic a.s.*	Czech Republic	82.88%	85.40%
O2 IT Services s.r.o.	Czech Republic	82.88%	85.40%
O2 Slovakia, s.r.o.	Slovakia	82.88%	85.40%
Oribase Pharma SAS	France	52.32%	52.32%
PPF a.s.	Czech Republic	99.99%	99.99%
PPF A3 B.V.	Netherlands	100.00%	100.00%
PPF Arena 1 B.V.	Netherlands	100.00%	100.00%
PPF Capital Partners Fund B.V.	Netherlands	96.00%	96.00%
PPF Financial Holdings B.V.	Netherlands	100.00%	100.00%
PPF Infrastructure B.V.	Netherlands	100.00%	100.00%
PPF Life Insurance LLC	Russia	100.00%	100.00%
PPF Telco B.V.	Netherlands	100.00%	100.00%
RAV Agro LLC	Russia	100.00%	100.00%
RAV Molokoproduct LLC	Russia	100.00%	100.00%
Sotio a.s.	Czech Republic	92.16%	92.16%
Sotio Medical Research (Beijing) Co., Ltd.	China	96.00%	96.00%
Sotio N.V.	Netherlands	96.00%	96.00%
Vox Ventures B.V.	Netherlands	100.00%	100.00%
Other significant associates			
Carolia Westminster Hotel Ltd.	United Kingdom	45.00%	-
ClearBank Ltd.	United Kingdom	35.00%	35.00%
Cytune Pharma SAS	France	22.96%	22.96%
The Culture Trip Ltd.	United Kingdom	43.69%	43.69%
LEAG Holding a.s.	Czech Republic	50.00%	50.00%
Lausitz Energie Verwaltungs GmbH**	Germany	50.00%	50.00%
Westminster JV a.s.	Czech Republic	50.00%	-

*As of 30 June 2017, due to existence of treasury shares held by O2 Czech Republic a.s. the direct stake in the registered capital of this company is 81.06% (2016: 84.06%).
** This joint venture comprises a group of entities.

The principal place of business corresponds to the domicile of respective entity with the following exceptions:

Place of business	Entity
Russia	Anthemona Ltd., Ryazan Shopping Mall Ltd., Flowermills Holding B.V., Marisana Enterprises Ltd.
United Kingdom	Alrik Ventures Ltd., Dadrin Ltd., Tanaina Holdings Ltd.
Germany	Langen Property B.V., Monheim Property B.V., Trigon Berlin B.V.

B.2. Acquisitions and disposals through business combinations in 2017/2016

B.2.1. Acquisition of Westminster Hotel

In January 2017, the Group acquired with a joint venture partner up-and-running London hotel building. The investment is classified as associate with a 45% effective share. As the Group has not yet finished purchase price allocation exercise, the presented figures are an estimate.

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

In millions of EUR

Transaction date	January 2017
Effective stake acquired	45%
In millions of EUR	
Capital contribution	10
Fair value of assets acquired	221
out of which:	
Property, plant and equipment	180
Fair value of liabilities acquired	(200)
Non-controlling interests	(2)
Net asset value attributable to the Group's share	9

B.2.2. Sale of O2 CR Shares

In February 2017, the Group sold a 3% stake in O2 CR. As a consequence, the effective share taking into account the treasury shares held by O2 CR decreased from 85.4% to 82.88%.

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

In millions of EUR

Total net consideration received	91
Net effective ownership in O2 CR decreased	3.05%
Net asset value attributable to non-controlling interests sold	28
Effect recorded in retained earnings (gain)	63

B.2.3. Acquisition of minority stake in The Culture Trip

On 3 June 2016, the Group acquired a 34.58% stake in The Culture Trip Ltd., the UK start-up company dealing with online publishing. Following the acquisition the Group increased its share to 43.69% through capital contribution. The Group classifies the investment as an associate, the voting share is 49%.

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

In millions of EUR

Consideration	8
Capital contribution	18
Total effective ownership acquired	43.69%
Fair value of assets	17
Fair value of liabilities	-
Net asset value attributable to the Group's share	7
Goodwill	19

B.2.4. Acquisition of minority stake in ClearBank

Throughout 2016, the Group invested into a newly incorporated company in the UK, which was authorised to operate as a credit institution in December 2016 by the competent domestic authorities. The bank is jointly regulated by the Prudential Regulation Authority and the Financial Conduct Authority, and plans to focus on providing clearing and settlement services to non-retail customers as part of its core business model. As of 30 June 2017, the Group holds a 35% share, entailing an investment of MEUR 15.

B.2.5. Sale of City Tower

In July 2016, the Group signed an agreement for the sale of an up-and-running office building in Prague (City Tower). The transaction closed in September 2016; the final consideration for the sale of an entity owning the property was MEUR 100; profit from the sale amounted to MEUR 15.

B.2.6. Sale of Eldorado

On 8 December 2016, acting through its subsidiary Facipero Investments Ltd., the Group sold its stake in Eldorado LLC. Eldorado is a Russian retailer of consumer electronic and domestic appliances in which the Group held an 80% effective share. The transaction also included the disposal of Eldorado's subsidiaries Invest-Realty LLC, Rentol LLC and TK Permsky LLC. The consolidated income statement comprises Eldorado's financial performance until its disposal and the results are presented under discontinued operations.

The impact of the transaction is as follows:

In millions of EUR

Consideration	417
Carrying value of assets disposed	1,029
Goodwill derecognised	143
Carrying value of liabilities disposed	(915)
Negative currency translation reserve (reclassified to income statement)	93
Net profit from the sale	67
Net profit attributable to non-controlling interests	61
Net profit attributable to the owners of the Parent	6

On 28 December 2016, following the Eldorado transaction, the Group acquired a 20% stake in Facipero Investments Ltd. The difference between the acquisition price and the net asset value attributable to non-controlling interests acquired was recognised directly in equity.

The following table summarises the financial aspect of the transaction:

Consideration	119
Effective ownership acquired	20%
Net asset attributable to non-controlling interests acquired	83
Effect recorded in retained earnings (decrease)	(36)

B.2.7. Acquisition of LEAG

In 2016, the Group become the investor in Gemcol Ltd., a Cypriot investment vehicle legally fully controlled by PPF Investments Ltd. Although the Group holds only preference shares with non-voting rights, it consolidates all assets and liabilities of the said entity.

On 30 September 2016, LEAG Holding a.s., an entity jointly controlled by Gemcol Ltd. and Energetický a průmyslový holding, a.s. ("EPH"), acquired a 100% stake in Vattenfall Europe Mining Aktiengesellschaft and Vattenfall Europe Generation, a German group dealing with the extraction, processing, refining and sale of lignite and the generation of electricity and heat. The group operates four open pit mines, four power plants and one refining plant.

The joint venture was subsequently renamed to LEAG (Lausitz Energie) and in the Group's consolidated accounts it is accounted for using the equity method. The consolidated income statement includes a share on LEAG's financial performance since the acquisition.

From the Group's perspective, the acquisition of LEAG through Gemcol Ltd. is considered a long-term financial investment that enables better risk diversification by entering a different industry with a partner that is strong in this type of business. The Group considers its position to be that of a financial investor that will not interfere in the running of the group, which will be left to EPH.

In accordance with IFRS 3, LEAG performed a purchase price allocation exercise ("PPA") based on which the acquired assets and assumed liabilities of the acquired business were restated to their respective fair values. The excess of the fair values of identified assets and liabilities over the purchase price resulted in the recognition of gain on a bargain purchase.

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 30 September2016

Fair value of assets	**4,040**
Non-current assets	2,278
Current assets	1,762
Fair value of liabilities	**3,532**
Non-current liabilities	2,804
Current liabilities	728
Fair value of identifiable net assets	**508**

Gain on a bargain purchase arising from the acquisition has been recognised as a result of excess of fair value of identifiable net assets over the purchase price as follows:

In millions of EUR

Effective ownership	50%
Fair value of identifiable net assets	508
Net asset value attributable to the Group's share	254
Gain on a bargain purchase	254

Gain on a bargain purchase is attributable to the following facts: Vattenfall (the seller) was abandoning the lignite sector in Germany while facing a limited number of bidders due to the considerable size of disposed assets and sector characteristics. Furthermore, the disposed assets were heavily exposed to the commodity market and energy/environmental regulations. Both have been quite volatile in Germany during the last few years.

B.2.8. CETIN squeeze-out in 2016

On 11 January 2016, as a result of a squeeze-out of minority shareholders, the Group became the sole shareholder of CETIN. The squeeze-out price for the residual 5.1% stake amounted to CZK 172.4 per share. The Group started to settle the relevant part of the consideration with eligible individual former shareholders in February.

The following table summarises the financial aspects of the transaction:

In millions of EUR

Consideration	101
Effective ownership acquired in CETIN	5.1%
Net asset attributable to non-controlling interests acquired	(88)
Effect recorded in retained earnings (decrease)	(13)

B.3. Other changes

B.3.1. Share buy-back program 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. As at 30 June 2017, it acquired a total of 6.8 million treasury shares for the total acquisition price of MEUR 65. The acquisition of treasury shares resulted in an increase of the Group's effective ownership by 0.53%.

B.3.2. Sale of Polymetal shares and change in classification of the remaining stake

On 23 September 2016, the Group sold a 3.05% share in Polymetal. As the Group's effective share in the company fell below 13%, the Group decided to change its classification of its Polymetal stake from associate to asset available for sale. Due to a positive difference between the fair value and the initial carrying value of the remaining stake, a significant one-off gain was recognised in the consolidated income statement.

The impact of the transaction is as follows:

In millions of EUR

Percentage ownership interest before sale	15.96%
Carrying amount of investment in associate before sale	588
Stake sold	3.04%
Consideration	146
Profit from the sale	34
Carrying amount of investment in associate after sale	476
Fair value of the stake after sale	619
Gain on the reclassification to AFS asset	143

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 2016.

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. Fair value of financial assets and liabilities

The Group has performed a fair-value assessment of its financial instruments to determine whether it is practicable within the constraints of timeliness and cost to determine their fair values with sufficient reliability.

The following table shows the carrying amounts and fair values of financial instruments measured at amortised cost, including their levels in the fair value hierarchy:

In millions of EUR, as at 30 June 2017

	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets held to maturity	14	14	-	14	-
Loans and receivables due from banks and other financial institutions	740	740	-	740	-
Loans due from customers	14,036	14,128	-	-	14,128
Trade and other receivables	369	369	-	-	369
Due to non-banks	(11,476)	(11,481)	-	(11,481)	-
Due to banks and other financial institutions	(12,226)	(12,231)	-	(12,156)	(75)
Debt securities issued	(1,607)	(1,625)	(8)	(1,617)	-
Subordinated liabilities	(304)	(315)	(210)	(105)	-
Trade and other payables	(1,173)	(1,173)	-	-	(1,173)

In millions of EUR, as at 31 December 2016

	Carrying amount	Fair value	Level 1	Level 2	Level 3
Loans and receivables due from banks and other financial institutions	555	555	-	555	-
Loans due from customers	11,337	11,355	-	-	11,355
Trade and other receivables	368	368	-	-	368
Due to non-banks	(8,373)	(8,381)	-	(8,381)	-
Due to banks and other financial institutions	(8,111)	(8,122)	-	(8,122)	-
Debt securities issued	(1,237)	(1,254)	(937)	(317)	-
Subordinated liabilities	(308)	(317)	(223)	(94)	-
Trade and other payables	(1,094)	(1,094)	-	-	(1,094)

In 2017, certain debt securities issued in carrying amount MEUR 928 (2016: MEUR 912) were transferred from Level 1 to Level 2 due to a decline in market trading.

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 2017

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	246	80	-	326
Financial assets AFS	2,572	225	113	2,910
Financial liabilities at FVTPL	(218)	(103)	(18)	(339)
Total	**2,600**	**202**	**95**	**2,897**

In millions of EUR, as at 31 December 2016

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	502	43	-	545
Financial assets AFS	2,483	349	16	2,848
Financial liabilities at FVTPL	(322)	(73)	(16)	(411)
Total	**2,663**	**319**	**-**	**2,982**

The following table shows the reconciliation of movements in Level 3:

In millions of EUR, for the six months ended 30 June 2017

	Financial assets AFS	Financial liabilities FVTPL	Total
Balance at 1 January	16	(16)	-
Net gains/(losses) recorded in profit or loss (included in “Net gain/(loss) on financial assets”)	1	(2)	(1)
Purchases of financial assets	96	-	96
Balance at 30 June 2017	**113**	**(18)**	**95**

In millions of EUR, for the year ended 31 December 2016

	Financial assets at FVTPL	Financial assets AFS	Financial liabilities FVTPL	Total
Balance at 1 January	75	84	(9)	150
Net gains/(losses) recorded in profit or loss (included in “Net gain/(loss) on financial assets”)	7	-	(7)	-
Net gains/(losses) recorded in other comprehensive income	-	1	-	1
Purchases of financial assets	-	4	-	4
Additions of financial liabilities	-	-	(2)	(2)
Settlements	(82)	(75)	2	(155)
Transfers into Level 3	-	2	-	2
Balance at 31 December 2016	**-**	**16**	**(16)**	**-**

In 2016, certain available-for-sale assets were transferred from Level 2 into Level 3 of the fair value hierarchy due to a change in the market conditions of some shares. Quoted prices for such instruments were not available, thus the purchase price is the best estimation of the fair value.

The financial assets available for sale presented in Level 3 consist of debt securities of MEUR 86 (2016: MEUR 1) and equity securities of MEUR 27 (2016: MEUR 15). The fair value of debt securities is sensitive to market interest rates. The fair value of equity securities is sensitive to economic developments of the businesses in question.

C.2. Capital management

As of 30 June 2015, the Group restructured its consumer finance and other banking business represented by Home Credit, Air Bank and PPF banka under the new holding entity PPF Financial Holdings B.V. (the "Subgroup"). The Subgroup became a financial holding company and as such became subject to consolidated prudential requirements based on Regulation No 575/2013 of the European Parliament and of the Council, with the Czech National Bank as a consolidating supervisor. PPF banka was appointed as a responsible reporting entity for this Subgroup.

The Subgroup is required to fulfil the following capital requirements: a Tier 1 capital adequacy ratio of at least 6% and a total capital adequacy ratio of at least 8%. Moreover, the Subgroup is required to maintain a capital conservation buffer amounting to 2.5% of its risk weighted assets and an institution-specific countercyclical capital buffer, which is immaterial given the geographical placement of its assets.

The Subgroup also monitors and maintains other regulatory requirements, such as liquidity and leverage ratios.

In November 2015, by a decision of the Czech National Bank the Subgroup was identified as an "Other Systemically Important Institution" (O-SII). This classification was confirmed in 2016 as well. No additional capital requirement was imposed as a result of this classification.

The Group, the Subgroup, and their individually regulated operations complied with all externally imposed capital requirements, liquidity requirements, and leverage requirements throughout the reporting period.

D. Segment reporting

The Group recognises reportable segments that are defined in both geographical and sector terms. These segments offer different products and services, and are managed separately because they operate in completely distinct business sectors. The Group's Board of Directors and shareholders (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	Business name/brand	Operations	Geographic focus
Consumer finance	Home Credit	Lending to private individual customers, deposit-taking	Czech Republic, Slovak Republic, Russia, Asia
	subsidiaries of PPF banka and Air Bank	Lending to private individual customers	Czech Republic, Slovak Republic, Russia
Other banking	PPF banka	Loans, deposits and other transactions and balances with corporate customers, trading activities	Czech Republic
	Air Bank	Deposits, loans and other transactions and balances with retail customers	Czech Republic
	ClearBank	Clearing and settlement services	The United Kingdom
Real estate	PPF Real Estate Holding	Developing, investing and professional consulting in the property sector	Central and Western Europe, Russia, Ukraine
Telecommunications	O2	Telecommunication operator providing a range of voice and data services (CZ), mobile operator (SK)	Czech Republic, Slovak Republic
	CETIN	Administration and operation of data and communication network	Czech Republic
Insurance	PPF Insurance	Provision of life insurance products	Russia
Retail (discontinued)	Eldorado _(sold in 2016)_	Retailing in consumer electronic and domestic appliances	Russia
Other	Sotio	Development of new medical therapies, focusing on the treatment of cancer and autoimmune diseases	Czech Republic, USA, China
	RAV Holding	Grain and livestock production, storage and trade	Russia
	O2 Arena	Operation of multipurpose hall hosting mainly sports and cultural events	Czech Republic
	The Culture Trip	Online publishing	worldwide
	LEAG	Extraction, processing, refining and sale of lignite, generation of electricity and heat	Germany
	Polymetal _(associate until 2016)_	Gold and silver mining	Russia, Kazakhstan

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 financial and non-financial assets. Eliminations represent intercompany balances among individual reporting segments.

Total segment revenue contains the following categories, which may be reconciled to the income statement as follows:

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

	2017 Continuing	2016 Continuing	2016 Discontinued
Interest income	1,632	1,038	1
Fee and commission income	362	231	13
Net earned premiums	50	49	-
Net rental and related income	71	70	-
Net income related to construction contracts	2	2	-
Sales of goods	-	1	612
Other income from retail operations	-	-	12
Telecommunication income	871	847	-
Net agriculture income	4	4	-
Subtotal revenue		**2,242**	**638**
Total revenue from external customers	**2,992**		**2,880**

The following table shows the main items from the financial statements broken down according to reportable segments for the first half of 2017 and comparative figures for 2016:

In millions of EUR

30 June 2017	Consumer finance	Other banking	Telecommu-nications	Real estate	Insurance	Other	Unallocated	Eliminations	**Consolidated**
Revenue from external customers	1,923	69	871	73	36	9	11	-	2,992
Inter-segment revenue	1	28	1	1	1	-	27	(59)	-
Total revenue from continuing operations	**1,924**	**97**	**872**	**74**	**37**	**9**	**38**	**(59)**	**2,992**
Segment share of earnings of associates/JVs	1	(2)	-	17	-	27	-	-	43
Net profit from continuing operations	**128**	**45**	**127**	**(15)**	**3**	**17**	**(19)**	**7**	**293**
Other significant non-cash expenses	(445)	(4)	(4)	(3)	-	-	-	-	(456)
Segment assets	14,987	13,087	4,126	1,700	170	462	3,126	(3,312)	34,346
Investments in associates/JVs	1	6	1	58	-	350	-	-	416
Total assets									**34,762**
Segment liabilities	13,665	12,519	2,149	1,415	128	351	887	(3,294)	27,820
Total liabilities									**27,820**
Segment equity	**1,323**	**574**	**1,978**	**343**	**42**	**461**	**2,239**	**(18)**	**6,942**

In millions of EUR

30 June 2016	Consumer finance	Other banking	Telecommu-nications	Real estate	Insurance	Retail	Other	Unallocated	Eliminations	**Consolidated**
Revenue from external customers	1,208	61	847	73	34	638	9	10	-	2,880
Inter-segment revenue	6	30	11	1	1	2	-	18	(69)	-
Total revenue from continuing operations	**1,214**	**91**	**858**	**74**	**35**	**-**	**9**	**28**	**(69)**	**2,240**
Total revenue from discontinued operations						**640**			**(2)**	**638**
Segment share of earnings of associates/JVs	1	-	-	(18)	-	-	35	-	-	18
Net profit from continuing operations	**68**	**29**	**129**	**5**	**2**	**(3)**	**28**	**(1)**	**(2)**	**255**
Net profit from discontinued operations						**(10)**			**3**	**(7)**
Net profit for the period										**248**
Other significant non-cash expenses	(288)	(5)	(4)	-	-	-	(3)	(2)	-	(302)
31 December 2016										
Segment assets	12,240	8,198	4,056	1,807	178	-	326	2,957	(3,098)	26,664
Investments in associates/JVs	2	9	2	50	-	-	314	-	-	377
Total assets										**27,041**
Segment liabilities	10,922	7,688	1,995	1,448	136	-	218	947	(3,076)	20,278
Total liabilities										**20,278**
Segment equity	**1,320**	**519**	**2,063**	**409**	**42**	**-**	**422**	**2,010**	**(22)**	**6,763**

D.1. Consumer finance segment

The Home Credit consumer finance business is divided into segments based on geographical regions corresponding to the geographical location of customers. The Group operates in the following principal geographical areas: China, the Russian Federation, the Czech Republic, Vietnam, Kazakhstan, the Slovak Republic, India, Indonesia, and the Philippines.

The following table supplements the information presented for the consumer finance business in the previous table. Eliminations represent intercompany balances among individual reporting segments within Home Credit. Inter-segment revenue represents revenue realised with other core segments outside the consumer finance segment.

In millions of EUR

30 June 2017	China	Russian Federation	Czech Republic	Vietnam	Kazakhstan	Slovak Republic	India	Other	Unallocated	Eliminations	**Consolidated**
Revenue from customers	1,123	382	48	126	91	28	55	69	2	-	1,924
Inter-segment revenue	-	4	4	-	-	-	-	-	1	(9)	-
Total revenue	**1,123**	**386**	**52**	**126**	**91**	**28**	**55**	**69**	**3**	**(9)**	**1,924**
Net interest income from external customers	614	184	30	81	46	20	39	45	(23)	-	1,036
Inter-segment net interest income	-	4	4	-	-	-	(4)	(2)	(4)	1	(1)
Total net interest income	**614**	**188**	**34**	**81**	**46**	**20**	**35**	**43**	**(27)**	**1**	**1,035**
Income tax	(19)	(23)	(2)	(8)	(9)	(1)	-	(1)	(5)	-	(68)
Net profit from continuing operations	**63**	**91**	**8**	**33**	**32**	**5**	**(43)**	**(22)**	**(49)**	**10**	**128**
Other significant non-cash expenses	(363)	(24)	4	(22)	3	(7)	(20)	(16)	-	-	(445)
Segment assets (inc.associates)	9,291	3,194	503	540	439	274	337	463	246	(299)	14,988
Segment liabilities	8,030	2,585	489	407	332	264	218	254	1,389	(303)	13,665
Segment equity	**1,261**	**609**	**14**	**133**	**107**	**10**	**119**	**209**	**(1,143)**	**4**	**1,323**

In millions of EUR

30 June 2016	China	Russian Federation	Czech Republic	Vietnam	Kazakhstan	Slovak Republic	India	Other	Unallocated	Eliminations	**Consolidated**
Revenue from customers	559	352	53	90	66	32	23	36	3	-	1,214
Inter-segment revenue	-	9	-	-	-	-	-	-	1	(10)	-
Total revenue	**559**	**361**	**53**	**90**	**66**	**32**	**23**	**36**	**4**	**(10)**	**1,214**
Net interest income from external customers	333	150	34	60	37	21	16	21	(10)	-	662
Inter-segment net interest income	-	9	-	-	(5)	-	-	(1)	(4)	-	(1)
Total net interest income	**333**	**159**	**34**	**60**	**32**	**21**	**16**	**20**	**(14)**	**-**	**661**
Income tax expense	(21)	(2)	(2)	(5)	(5)	-	-	-	(1)	-	(36)
Net profit from continuing operations	**74**	**16**	**12**	**21**	**17**	**2**	**(22)**	**(25)**	**(28)**	**1**	**68**
Other significant non-cash expenses	(137)	(104)	-	(17)	(5)	(9)	(9)	(7)	-	-	(288)
31 December 2016											
Segment assets (inc.associates)	6,641	3,372	520	515	410	301	248	280	399	(444)	12,242
Segment liabilities	5,673	2,776	514	398	304	296	203	248	945	(435)	10,922
Segment equity	**968**	**596**	**6**	**117**	**106**	**5**	**45**	**32**	**(546)**	**(9)**	**1,320**

D.2. Telecommunication segment

The telecommunication segment is represented by O2 CR and CETIN. O2 CR is further divided into two segments based on geographical regions corresponding to the geographical location of customers.

The following table supplements the information presented for the telecommunications business in the previous table. Eliminations represent intercompany balances among individual reporting segments within the segment. Inter-segment revenue represents revenue realised with other core segments outside the telecommunication segment.

In millions of EUR

30 June 2017	CETIN	O2 Czech Republic	O2 Slovak Republic	Eliminations	**Consolidated**
Revenue from customers	181	562	128	-	871
Inter-segment revenue	198	6	1	(205)	-
Total revenue	**379**	**568**	**129**	**(205)**	**871**
Cost related to telecommunication business	(161)	(111)	(56)	9	(319)
Net telecommunication income	20	451	72	9	552
Segment result	**55**	**100**	**13**	**(41)**	**127**
Other significant non-cash expenses	(3)	-	(1)	-	(4)
Segment assets (incl. associates)	2,189	1,809	449	(320)	4,127
Segment liabilities	1,388	711	134	(84)	2,149
Segment equity	**801**	**1,098**	**315**	**(236)**	**1,978**

In millions of EUR

30 June 2016	CETIN	O2 Czech Republic	O2 Slovak Republic	Eliminations	**Consolidated**
Revenue from customers	189	552	117	-	858
Inter-segment revenue	194	6	1	(201)	-
Total revenue	**383**	**558**	**118**	**(201)**	**858**
Cost related to telecommunication business	(150)	(109)	(49)	3	(305)
Net telecommunication income	29	442	67	3	541
Segment result	**61**	**98**	**11**	**(41)**	**129**
Other significant non-cash expenses	(3)	-	(1)	-	(4)
31 December 2016					
Segment assets (incl. associates)	2,080	1,804	462	(288)	4,058
Segment liabilities	1,354	582	120	(61)	1,995
Segment equity	**726**	**1,222**	**342**	**(227)**	**2,063**

E. Notes to the consolidated financial statements

E.1. Cash and cash equivalents

Cash and cash equivalents comprise the following:

In millions of EUR

	30 June 2017	31 December 2016
Cash on hand	78	93
Current accounts	1,508	1,407
Balances with central banks	2,825	2,007
Reverse repo operations with central banks	3,974	285
Placements with financial institutions due within one month	1,140	882
Total cash and cash equivalents	**9,525**	**4,674**

As of 30 June 2017, cash and cash equivalents amounting to MEUR 475 (2016: MEUR 985) are restricted by the borrowing agreements contracted by Chinese Home Credit with the creditors either to disbursement of loans to retail clients or repayment of the loans received from the creditors. If the cash is used to provide loans to retail clients, the loans are pledged as collateral.

There are no restrictions on the availability of cash and cash equivalents.

E.2. Investment securities

Investment securities comprise the following:

In millions of EUR

	30 June 2017	31 December 2016
Financial assets at fair value through profit or loss	326	545
Financial assets available for sale	2,910	2,848
Financial assets held to maturity	14	-
Total financial securities	**3,250**	**3,393**

E.2.1. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss held for trading (except for part of government bonds in 2016 which were non-trading) comprise the following:

In millions of EUR

	30 June 2017	31 December 2016
Government and other public-sector bonds	229	479
Corporate bonds	12	18
Positive fair values of trading derivatives	84	48
Positive fair values of hedging derivatives	1	-
Total financial assets at FVTPL	**326**	**545**

In 2016, the government bonds included non-trading 10-year fixed-interest bonds amounting to MEUR 201. The fixed interest income from these bonds was economically hedged by interest rate swaps. The bonds were sold in 2017.

E.2.2. Financial liabilities at fair value through profit or loss

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

In millions of EUR

	30 June 2017	31 December 2016
Negative fair values of trading derivatives	101	73
Negative fair values of hedging derivatives	1	-
Liabilities from short sales of securities	219	322
Other	18	16
Total financial liabilities at FVTPL	**339**	**411**

E.2.3. Financial assets available for sale

Financial assets available for sale comprise the following:

In millions of EUR as at 30 June 2017

	Carrying amount	Amortised cost
Debt securities	2,288	2,284
Government bonds	1,654	1,624
Corporate bonds	569	594
Other debt securities	65	66
Equity securities – shares	622	699
Loans and receivables	-	4
Total AFS assets	**2,910**	**2,987**

In millions of EUR, as at 31 December 2016

	Carrying amount	Amortised cost
Debt securities	2,216	2,165
Government bonds	1,286	1,238
Corporate bonds	841	837
Other debt securities	89	90
Equity securities – shares	631	696
Loans and receivables	1	6
Total AFS assets	**2,848**	**2,867**

E.3. Loans and receivables due from banks and other financial institutions

Loans and receivables due from banks and other financial institutions comprise the following:

In millions of EUR

	30 June 2017	31 December 2016
Term deposits at banks	83	133
Minimum reserve deposits with central banks	168	141
Loans to banks	8	9
Loans and advances provided under repos	321	285
Cash collateral for derivative instruments	58	92
Other	102	39
Total loans and receivables due from banks and other financial institutions	**740**	**555**

The minimum reserve deposits are mandatory non-interest-bearing deposits calculated in accordance with regulations issued by central banks. Their withdrawability is restricted.

E.4. Loans due from customers

Loans and receivables due from non-banks comprise the following:

In millions of EUR

	30 June 2017	31 December 2016
Gross amount		
Cash loan receivables	7,268	5,487
Consumer loan receivables	5,328	4,265
Revolving loan receivables	536	585
Car loan receivables	112	117
Mortgage loan receivables	124	111
Loans to corporations	1,678	1,599
Loans and advances provided under repos	25	59
Loans to associates	70	40
Other	3	4
Total gross amount	**15,144**	**12,267**
Collective allowances for impairment		
Cash loan receivables	(585)	(465)
Consumer loans receivables	(336)	(265)
Revolving loan receivables	(71)	(86)
Car loan receivables	(23)	(23)
Mortgage loan receivables	(6)	(8)
Total collective impairment	**(1,021)**	**(847)**
Individual allowances for impairment		
Loans to corporations	(50)	(45)
Loans to associates	(37)	(38)
Total individual impairment	**(87)**	**(83)**
Total carrying amount	**14,036**	**11,337**

Loans to associates represent mainly the provision of funds used to finance several real estate projects. Of the associates, two small real estate projects have a negative net asset value. The impairment of loans to associates contains a negative share in the associates attributable to the Parent. The share in the associates in question is presented at nil.

E.5. Trade and other receivables

Trade and other receivables comprise the following:

In millions of EUR

	30 June 2017	31 December 2016
Gross amount		
Trade receivables	397	397
Accrued income	9	8
Individual impairment	(37)	(37)
Total carrying amount	**369**	**368**

E.6. Inventories

Inventories comprise the following:

In millions of EUR

	30 June 2017	31 December 2016
Goods/merchandise for resale	32	24
Trading property	45	55
Agricultural inventories	5	10
Other inventory	2	2
Total inventories	**84**	**91**

E.7. Assets held for sale

Assets and liabilities held for sale are as follows:

In millions of EUR

	30 June 2017	31 December 2016
Cash and cash equivalents	-	1
Investment property	-	4
Property, plant and equipment	-	25
Other assets	3	1
Total assets held for sale	**3**	**31**

E.8. Investments in associates and joint ventures

The following table shows the breakdown of individual investments in associates and joint ventures:

In millions of EUR

	30 June 2017	31 December 2016
LEAG	311	281
Metropolis (Russia)	58	50
The Culture Trip	22	26
Westminster	9	-
ClearBank	6	9
Other	10	11
Total investments in associates/joint ventures	**416**	**377**

The following table shows the breakdown of the share of earnings of associates and joint ventures:

In millions of EUR

	30 June 2017	30 June 2016
LEAG	31	-
Metropolis (Russia)	18	(18)
The Culture Trip	(2)	-
Westminster	(1)	-
ClearBank	(3)	-
Polymetal	-	36
Total share of earnings in associates/joint ventures	**43**	**18**

The difference between the total investment and the Group's share in equity comprises goodwill.

LEAG

Since October 2016, the Group holds a 50% share in LEAG, a German group of entities dealing with the extraction, processing, refining and sale of lignite, and the generation of electricity and heat. LEAG operates mines, power plants and a refining plant. The following table shows LEAG's performance:

In millions of EUR

	30 June 2017	31 December 2016
Percentage ownership interest	**50.00%**	**50.00%**
Non-current assets	2,233	2,873
Current assets	1,506	1,006
Non-current liabilities	(2,706)	(2,852)
Current liabilities	(411)	(466)
Net assets (100%)	622	561
Carrying amount of investment in associate (50.00%)	**311**	**281**
	30 June 2017	30 June 2016
Total revenue	1,032	-
Total net profit/(loss) for the period (100%)	61	-
Total share in profit/(loss) (50.00%)	**31**	**-**

Metropolis (Russia)

In July 2015, the Group acquired a 49.99% stake in entities holding two up-and-running Moscow office buildings (the Metropolis project). In the six months of 2017, the project has made a revaluation gain compensated by a translation loss of MEUR 21 recorded directly in equity (2016: translation gain of MEUR 40).

In millions of EUR

	30 June 2017	31 December 2016
Non-current assets	367	366
Current assets	18	15
Non-current liabilities	(119)	(122)
Current liabilities	(150)	(158)
Net assets (100%)	116	101
Carrying amount of investment in associate (49.99%)	**58**	**50**
	30 June 2017	30 June 2016
Total revenue	21	20
Total net profit/(loss) for the period (100%)	36	(35)
Total share in profit/(loss) (49.99%)	**18**	**(18)**

The Culture Trip

The Culture Trip Ltd., a UK start-up company dealing with online publishing, was acquired in June 2016. As of 30 June 2017, the Group holds a 43.69% share with a net asset value of MEUR 9 (2016: MEUR 14).

Westminster Hotel

In January 2017, the Group acquired with a joint venture partner up-and-running London hotel building. The investment is classified as associate with a 45% effective share.

In millions of EUR

	30 June 2017
Non-current assets	212
Current assets	9
Non-current liabilities	(196)
Current liabilities	(4)
Net assets (100%)	20
NCI at subholding level	(2)
Carrying amount of investment in associate (45%)	**9**

	30 June 2017
Total revenue	11
Total net profit/(loss) for the period (100%)	(2)
Total share in profit/(loss) (45%)	**(1)**

The ClearBank

ClearBank is a newly established UK bank that plans to provide clearing and settlement services. As of 30 June 2017, the Group holds a 35% share with net asset value of MEUR 14 (2016: MEUR 21).

Polymetal

Since 2008 the Group has held a stake in Polymetal International Plc, the Russian precious metals mining company. During nine months of 2016, the share in Polymetal was decreased to 15.97% and on 23 September 2016 the Group sold a 3.05% share and changed the classification of the Polymetal stake from associate to asset available for sale. The company is listed on the London Stock Exchange. As of 30 June 2017, the Group holds 54.6 million shares classified in AFS portfolio.

Other real estate projects

The Group invests in several real estate projects, with ownership participations ranging from 35% to 40%. Two small projects with a negative net asset value of MEUR 27 (31 December 2016: MEUR 29) are valued at nil.

E.9. Investment property

Investment property includes all projects acquired through several acquisitions during the last years. The projects, located in the Russian Federation, the Czech Republic, the Netherlands, Germany and Romania, consist mainly of completed and rented office premises, buildings, warehouses and shopping malls.

The following table shows the break-down of investment property by category and country:

In millions of EUR for six months ended 30 June 2017

	Russia	Czech Republic	Netherlands	Germany	Romania	Total
Land plot	131	-	-	-	-	131
Office	308	62	262	97	53	782
Warehouse	347	-	-	-	-	347
Retail	112	22	33	-	-	167
Other	6	-	-	-	-	6
Total investment property	**904**	**84**	**295**	**97**	**53**	**1,433**

In millions of EUR, as at 31 December 2016

	Russia	Czech Republic	Netherlands	Germany	Romania	Total
Land plot	141	-	-	-	-	141
Office	306	61	257	97	53	774
Warehouse	377	-	-	-	-	377
Retail	144	21	34	-	-	199
Other	14	-	-	-	-	14
Total investment property	**982**	**82**	**291**	**97**	**53**	**1,505**

The following table shows the roll-forward of investment property:

In millions of EUR

	30 June 2017	31 December 2016
Balance at 1 January	1,505	1,507
Additions resulting from business combination	-	43
Disposals resulting from business combination	-	(174)
Additions - acquisition through asset deal	-	12
Additions - capitalised costs	5	21
Disposals	(1)	(4)
Transfer to non-current assets held for sale	-	(4)
Transfer to/from PPE	-	4
Unrealised gains from investment property	6	74
Unrealised losses from investment property	(38)	(119)
Other changes	8	-
Net FX differences	(52)	145
Balance at 30 June 2017 / 31 December 2016	**1,433**	**1,505**

The following table summarises valuation methods used for different categories of investment property:

Country	Category	Valuation method
Netherlands	office/retail	Income approach
Germany	office	Income approach
Czech Republic	office/retail	Income approach
Czech Republic	office under development	Residual
Russia	office (including under development)	Income approach
Russia	warehouse (including under development)	Income approach
Romania	office	Income approach
All locations	land	Sales comparison

E.10. Property, plant and equipment

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

In millions of EUR, for six months ended 30 June 2017

	Land and buildings	Ducts, cables and related plant	Telecom technology and related equipment	Other tangible assets and equipment	Total
Carrying amount					
Balance at 1 January	455	1,334	329	151	2,269
Additions	5	18	47	52	122
Additions resulting from business combinations	4	-	-	-	4
Disposals	(1)	-	-	(1)	(2)
Other movements	8	-	(2)	(9)	(3)
Depreciation charge	(14)	(39)	(29)	(27)	(109)
Depreciation included in cost of sales (agriculture)	-	-	-	(1)	(1)
Net FX differences	7	42	8	(5)	52
Total	**464**	**1,355**	**353**	**160**	**2,332**
Cost	596	1,621	611	400	3,228
Accumulated depreciation and impairment	(132)	(266)	(258)	(240)	(896)
Of which: Not in use	5	18	83	2	108

In millions of EUR, for the year ended 31 December 2016

	Land and buildings	Ducts, cables and related plant	Telecom technology and related equipment	Other tangible assets and equipment	Total
Carrying amount					
Balance at 1 January	591	1,366	298	162	2,417
Additions	19	41	99	81	240
Disposals resulting from business combinations	(77)	-	-	(33)	(110)
Disposals	(7)	-	(2)	(4)	(13)
Transfer to non-current assets held for sale	(25)	-	-	-	(25)
Other movements	(4)	1	-	1	(2)
Depreciation charge*	(34)	(75)	(62)	(59)	(230)
Depreciation included in cost of sales (agriculture)	-	-	-	(2)	(2)
Impairment charge	(27)	-	(4)	(2)	(33)
Impairment reversal	-	-	-	1	1
Net FX differences	19	1	-	6	26
Total	**455**	**1,334**	**329**	**151**	**2,269**
Cost	571	1,554	557	378	3,060
Accumulated depreciation and impairment	(116)	(220)	(228)	(227)	(791)
Of which: Not in use	5	17	75	6	103

*Depreciation includes discontinued operations.

E.11. Intangible assets

Intangible assets comprise the following:

In millions of EUR

	30 June 2017	31 December 2016
Goodwill	556	540
Software	388	342
Licences	350	360
Customer relationships	427	445
In-process research and development (IPRD)	178	158
Trademark	53	68
Present value of future profits from portfolios acquired (PVFP)	12	13
Other	10	9
Total intangible assets	**1,974**	**1,935**

E.11.1. Goodwill

Goodwill consists of two significant items arising from the acquisition of O2 CR in 2014. Following the demerger of O2 CR in 2015 the initial goodwill was allocated to newly established CGUs not existing at the time of acquisition based on the proportion of external revenues generated by both businesses (O2 CR: 80.3%, CETIN: 19.7%).

As of 30 June 2017, the carrying amount of O2 CR goodwill was MEUR 431 (2016: MEUR 417) and the carrying amount of CETIN goodwill was MEUR 106 (2016: MEUR 104).

E.11.2. Other intangible assets

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

In millions of EUR, for the six months ended 30 June 2017

	Software	Licences	Customer relation-ships	IPRD	Trade-marks	PVFP	Other intangible assets	Total
Carrying amount								
Balance at 1 January	342	360	445	158	68	13	9	1,395
Additions resulting from business combination	2	-	-	-	-	-	-	2
Additions	56	1	-	12	-	-	1	70
Additions from internal development	19	-	-	3	-	-	-	22
Disposal	(1)	-	-	-	-	-	-	(1)
Other changes	(2)	-	-	-	-	-	1	(1)
Amortisation charge	(39)	(16)	(28)	-	(17)	(1)	(2)	(103)
Impairment charge	(1)	-	-	-	-	-	-	(1)
Net FX differences	12	5	10	5	2	-	1	35
Balance at 30 June	**388**	**350**	**427**	**178**	**53**	**12**	**10**	**1,418**
Cost	775	458	627	178	145	31	16	2,230
Accumulated amortisation and impairment losses	(387)	(108)	(200)	-	(92)	(19)	(6)	(812)
Out of this: Not in use	72	-	-	-	-	-	-	72

In millions of EUR, for the year ended 31 December 2016

	Software	Licences	Customer relation-ships	IPRD	Trade-marks	PVFP	Other intangibl e assets	Total
Carrying amount								
Balance at 1 January	294	341	501	127	194	12	8	1,477
Additions	121	55	-	25	-	-	3	204
Additions from internal development	36	-	-	6	-	-	-	42
Disposals resulting from business combinations	(16)	-	-	-	(108)	-	-	(124)
Disposal	(1)	-	-	-	-	-	-	(1)
Other changes	(4)	-	-	-	-	-	1	(3)
Amortisation charge*	(90)	(36)	(56)	-	(33)	(2)	(3)	(220)
Impairment charge	(6)	-	-	-	-	-	-	(6)
Net FX differences	8	-	-	-	15	3	-	26
Balance at 31 December	**342**	**360**	**445**	**158**	**68**	**13**	**9**	**1,395**
Cost	704	448	611	158	141	32	15	2,109
Accumulated amortisation and impairment losses	(362)	(88)	(166)	-	(73)	(19)	(6)	(714)
Of which: Not in use	56	1	-	-	-	-	-	57

*Amortisation includes discontinued operations.

E.12. Other assets

Other assets comprise the following:

In millions of EUR

	30 June 2017	31 December 2016
Prepaid expenses and advances	148	133
Cash collateral for credit card settlement	53	51
Other taxes receivable	25	22
Biological assets	22	8
Insurance related other assets	11	17
Deferred acquisition costs – insurance business	7	14
Non-life amounts ceded to reinsurers from insurance provisions	1	1
Receivables arising out of direct insurance operations	3	2
Other	57	46
Subtotal other assets (gross)	**316**	**277**
Individual allowances for impairment		
Prepaid expenses and advances	(6)	(5)
Other	(1)	(1)
Total other assets (net)	**309**	**271**

E.13. Liabilities due to non-banks

Liabilities to non-banks comprise the following:

In millions of EUR

	30 June 2017	31 December 2016
Current accounts and demand deposits	6,014	5,486
Term deposits	2,934	2,791
Loans	24	29
Loans received under repos	2,502	59
Other	2	8
Total liabilities to non-banks	**11,476**	**8,373**

The table shows the liabilities owed to corporate and individual clients of the Group, the bulk of which relates to the banking business of PPF banka, Home Credit and Finance Bank and Air Bank.

E.14. Liabilities due to banks and other financial institutions

Liabilities to banks and other financial institutions comprise the following:

In millions of EUR

	30 June 2017	31 December 2016
Repayable on demand	3	15
Loans received under repos	1,740	389
Secured loans (other than repos)	7,405	6,742
Unsecured loans	3,003	885
Other	75	80
Total liabilities to banks	**12,226**	**8,111**

Secured loans include following significant loan facilities.

The syndicated loan facility was provided by a consortium led by Société Générale (the "SG facility") in connection with the acquisition of O2 CR in January 2014. It comprised a MEUR 1,300 term loan, financing the initial acquisition price and additional shares acquired during the mandatory tender offer, and a MEUR 63 revolving loan used to cover debt service costs. In August 2015, the facility was fully repaid and replaced by a new facility. At that moment the Group obtained a new syndicated loan facility through its subsidiary CETIN, which was provided by a bank consortium and totalled MEUR 1,181. The facility, denominated in Czech crowns, consisted of a three-year term loan amounting to MEUR 374 and a seven-year term loan amounting to MEUR 807. It was secured by a pledge of the CETIN share held by PPF Telco and with fixed assets held by CETIN. In July 2016, CETIN as a debtor received a Moody's investment rating which resulted in the release of the pledge of a 74.46% share in CETIN and fixed assets of the said entity amounting to MEUR 952. The facility became unsecured. In December 2016, CETIN refinanced the existing facility by an unsecured CZK and EUR bond issue.

In connection with additional direct purchases of O2 CR shares, the Group received another secured loan of MEUR 270, initially maturing in October 2020. In 2015, the facility was renegotiated in a move that saw the maturity extended until October 2021. The facility is secured by a pledge of O2 CR and CETIN shares (following the demerger of O2 CR) in a proportion financed by the facility.

In November 2015, the Group received a new senior loan facility from a group of banks consisting of a term loan of MEUR 370 and a revolving credit facility of MEUR 10. The term loan was fully drawn to finance the deferred purchase price owed to Telefonica S.A. and for recapitalisation purposes. The facility, denominated in Czech crowns, matures in December 2020 and is secured by a pledge of O2 CR shares (refer to E.34.1).

As of 30 June 2017 the Group complied with all covenants related to the loan facilities with the exception of one project in Russia. The situation on the Russian real estate market remains challenging due to high vacancy rates and the historically lowest rental rates despite the strong appreciation of the Russian rubble in 2016. This has influenced the underlying market values of the Russian assets. And while all assets are doing fine in terms of cash flow performance and loans are properly serviced, the pressure remains on LTV (loan-to-value) covenant.

As of 30 June 2017, the LTV covenant for the Ryazan shopping mall project had not been fulfilled (2016: Ryazan shopping mall and Tomilino projects). A temporary waiver for any breach of covenants was granted in February 2017 by the financing bank and there are ongoing active discussions with the bank to address this temporary valuation matter. The outstanding amount of the loan provided to the Ryazan project is MEUR 71 (2016: MEUR 71).

E.15. Debt securities issued

The following table shows details of bonds issued by the Group:

In millions of EUR

	Interest rate	Maturity	30 June 2017	31 December 2016
Unsecured CZK bond issue of MCZK 920	Fixed	2017	3	2
Unsecured CZK bond issue of MCZK 3,000	Fixed	2017	115	111
Asset backed CNY security issue 2	Fixed	2017	7	-
Asset backed CNY security issue 2	Fixed	2018	19	-
Asset backed CNY security issue 4	Fixed	2018	159	-
Unsecured bond issue of MKZT 6,769	Fixed	2019	19	20
Stock exchange RUB bond issue of MRUB 1,500	Fixed	2019	22	8
Unsecured CZK bond issue of MCZK 1,998	Fixed	2020	77	-
Unsecured bond issue of MKZT 10,000	Fixed	2020	28	-
Unsecured EUR bond issue of MEUR 625	Fixed	2021	628	623
Unsecured CZK bond issue of MCZK 4,866	Fixed	2023	185	178
Deposit Certificate of MKZT 315	Fixed	2017	1	1
Short-term registered certificate of deposit; rates (8.1%- 8.25%)	Fixed	2017	16	-
Long-term registered certificate of deposit; rates (8.7%- 13.5%)	Fixed	2017	72	82
Deposit bill of exchange; rates (0.20%-0.71%)	Fixed	2017	11	10
Short-term registered certificate of deposit; rates (8.6%- 9.2%)	Fixed	2018	26	-
Deposit bill of exchange; rates (0%-0.47%)	Fixed	2018	53	50
Deposit Certificate of MKZT 196	Fixed	2018	1	-
Long-term registered certificate of deposit; rates (9.5%- 10.5%)	Fixed	2018	83	90
Long-term registered certificate of deposit; rates (10.5%- 11.25%)	Fixed	2019	39	25
Long-term registered certificate of deposit; rates (11.25%- 11.5%)	Fixed	2020	5	-
Deposit bill of exchange	Fixed	2020	38	37
Total debt securities issued			**1,607**	**1,237**

As at 30 June 2017, cash loan receivables of MEUR 493 (2016: MEUR nil) and consumer loan receivables of MEUR 318 (2016: MEUR nil) served as collateral for the Asset-backed CNY securities issue 2 and issue 4.

E.16. Subordinated liabilities

Subordinated liabilities comprise the following:

In millions of EUR

	Interest rate	Maturity	30 June 2017	31 December 2016
Loan participation notes issue 7 of MUSD 500	Fixed	2020	88	95
Loan participation notes issue 8 of MUSD 200	Fixed	2021	112	121
Bond issue of MCZK 1,400	Fixed	2023	54	54
Bond issue of MCZK 1,000	Fixed	2024	50	38
Total subordinated liabilities			**304**	**308**

Subordinated loan participation notes issue 7 was made in October 2012. The Group has an early redemption option exercisable on 24 April 2018 (the reset date). After the reset date the interest rate is determined as a variable rate.

Subordinated loan participation notes issue 8 was made in October 2013. The Group has an early redemption option exercisable on 17 April 2019 (the reset date). After the reset date the interest rate is determined as a variable rate.

The bond issue of MCZK 1,400 was made in April 2013. The Group has an early redemption option exercisable on 4 July 2018.

The bond issue of MCZK 1,000 was made in April 2014. The Group has an early redemption option exercisable on 30 April 2019.

E.17. Trade and other payables

Trade and other payables comprise the following:

In millions of EUR

	30 June 2017	31 December 2016
Settlements with suppliers	574	549
Wages and salaries	141	158
Social security and health insurance	26	36
Other taxes payable	56	56
Accrued expenses	64	61
Deferred income	89	69
Advance received	22	17
Customer loan overpayments	33	31
Other	168	117
Total trade and other payables	**1,173**	**1,094**

The “Other” category includes clearing accounts of PPF banka and Air Bank in an amount of MEUR 13 (2016: MEUR 80).

In 2017, the “Other” category also includes dividends payable to shareholders in amount of MEUR 40 (2016: nil).

E.18. Provisions

Provisions comprise the following:

In millions of EUR

	30 June 2017	31 December 2016
Insurance provisions	145	158
Provision for litigation except for tax-related litigation	5	6
Other provisions	30	27
Total provisions	**180**	**191**

Other provisions include mainly asset retirement obligation related to liquidation of technical installation in CETIN.

E.18.1. Insurance provisions

Insurance provisions comprise the following:

In millions of EUR

	30 June 2017	31 December 2016
Non-life insurance provisions	35	49
Provisions for unearned premiums	32	44
Provisions for outstanding claims (RBNS)	3	5
Life insurance provisions	110	109
Provisions for outstanding claims	4	4
Mathematical provisions	99	97
Provisions for profit participation allocated to policyholders	7	8
Total insurance provisions	**145**	**158**

E.19. Capital issued

Capital issued represents 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 shareholder resolution.

The following table provides details of authorised and issued shares:

	30 June 2017	31 December 2016
Number of shares authorised	250,000	250,000
Number of shares issued and fully paid	62,401	62,401
Par value per share	EUR 10	EUR 10

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Parent Company.

E.20. Non-controlling interests

The following subsidiaries of the Group have material non-controlling interests:

Name of subsidiary*	Abbr.	Applicable	Country of incorporation
O2 Czech Republic a.s. (subgroup)	O2 CR	2017/2016	Czech Republic
Home Credit B.V. (subgroup)	HC	2017/2016	Netherlands
PPF banka, a.s. (subgroup)	PPFB	2017/2016	Czech Republic
Facipero Investments Ltd. (subgroup)	FACI	2016	Cyprus
Velthemia Ltd. (subgroup)	VELT	2017/2016	Cyprus
Home Credit Indonesia PT	HCID	2017/2016	Indonesia
Investitsionny Trust CJSC	INTR	2017/2016	Russia

*For place of business refer to B.1.

The following table summarises the information relating to these subsidiaries:

In millions of EUR

30 June 2017	O2 CR	HC	PPFB	VELT	HCID	INTR	Other	**Total**
NCI percentage (ownership)	**17.12%**	**11.38%**	**7.04%**	**39.93%**	**24.67%**	**21.25%**		
Total assets	1,554	17,760	9,665	305	152	103		
Total liabilities	(805)	(16,244)	(9,291)	(194)	(112)	(90)		
Net assets	**749**	**1,516**	**374**	**111**	**40**	**13**		
Net assets attributable to NCI of the sub-group	-	(8)	-	-	-	-		
Net assets attributable to owners of the Parent	**749**	**1,508**	**374**	**111**	**40**	**13**		
Carrying amount of NCI	128	172	26	44	10	3	11	**394**
NCI percentage during the period*	**16.77%**	**11.38%**	**7.04%**	**39.93%**	**24.67%**	**21.25%**		
Profit/(loss)	72	133	38	(10)	(13)	7		
Other comprehensive income	-	(118)	3	-	-	-		
Total comprehensive income	72	15	41	(10)	(13)	7		
Profit/(loss) allocated to NCI	12	15	3	(4)	(3)	1	1	**25**
OCI allocated to NCI	-	(13)	-	-	-	-	(3)	**(16)**

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

In millions of EUR

31 December 2016	O2 CR	HC	PPFB	FACI	VELT	HCID	INTR	Other	**Total**
NCI percentage (ownership)	**14.60%**	**11.38%**	**7.04%**	**-**	**39.93%**	**24.67%**	**21.25%**		
Total assets	1,605	14,704	5,063	-	336	56	203		
Total liabilities	(684)	(13,203)	(4,735)	-	(205)	(32)	(142)		
Net assets	**921**	**1,501**	**328**	**-**	**131**	**24**	**61**		
Net assets attributable to NCI of the sub-group	-	(6)	-	-	-	-	-		
Net assets attributable to owners of the Parent	**921**	**1,495**	**328**	**-**	**131**	**24**	**61**		
Carrying amount of NCI	134	170	23	-	52	6	13	4	**402**

In millions of EUR

30 June 2016	O2 CR	HC	PPFB	FACI**	VELT	HCID	INTR	Other	**Total**
NCI percentage during the period*	**15.34%**	**11.38%**	**7.04%**	**20.00%**	**39.93%**	**24.67%**	**24.76%**		
Profit/(loss)	68	61	29	(12)	(25)	(10)	4		
Other comprehensive income	-	7	1	-	-	-	-		
Total comprehensive income	68	68	30	(12)	(25)	(10)	4		
Profit/(loss) allocated to NCI	10	7	2	(2)	(10)	(2)	1	(1)	**5**
OCI allocated to NCI	-	1	-	-	-	-	-	(1)	-

* The NCIs for O2 CR changed during the period due to several transactions. The average NCI percentage during the period was used.
** Facipero – the NCI on profit applied up to the sale of Eldorado in December 2016 (refer to B.2.6).

E.21. Net interest income

Interest income comprises the following:

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

	2017	2016
Financial instruments at FVTPL	3	4
Financial instruments available for sale	34	29
Financial instruments held to maturity	-	1
Due from banks and other financial institutions	19	13
Cash loan receivables	1,046	552
Consumer loan receivables	406	317
Revolving loan receivables	68	72
Car loan receivables	9	11
Mortgage loan receivables	2	3
Loans to corporations	45	36
Total interest income	**1,632**	**1,038**

Interest expense comprises the following:

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

	2017	2016
Due to customers	118	108
Due to banks and other financial institutions	363	188
Debt securities issued	28	15
Subordinated liabilities	13	14
Other	2	4
Total interest expenses	**524**	**329**

Total net interest income	**1,108**	**709**

E.22. Net fee and commission income

Fee and commission income comprises the following:

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

	2017	2016
Insurance commissions	243	141
Penalty fees	64	50
Cash transactions	10	9
Customer payment processing and account maintenance	20	18
Retailers' commissions	10	5
Other	15	8
Total fee and commission income	**362**	**231**

Fee and commission expense comprises the following:

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

	2017	2016
Commissions to retailers	11	12
Cash transactions	8	7
Payment processing and account maintenance	19	13
Payments to deposit insurance agencies	12	10
Credit and other register expense	13	8
Other	2	2
Total fee and commission expense	**65**	**52**
Total net fee and commission income	**297**	**179**

E.23. Net gain/loss on financial assets

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

	2017	2016
Net trading income	33	(50)
Debt securities trading	8	8
FX trading	53	(22)
Derivatives	(28)	(36)
Net gains on financial assets at FVTPL	(2)	-
Debt securities	-	3
Other	(2)	(3)
Net realised gains on AFS financial assets	-	17
Dividends	9	-
Total net gain/(loss) on financial assets	**40**	**(33)**

E.24. Net impairment losses on financial assets

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

	2017	2016
Cash loan receivables	252	138
Consumer loan receivables	187	108
Revolving loan receivables	3	27
Car loan receivables	-	1
Mortgage loan receivables	-	3
Loans to corporations	6	-
Total net impairment losses on financial assets	**448**	**277**

E.25. Insurance income

In millions of EUR, for the six months ended 30 June 2017

	Non-life	Life	Total
Gross earned premium	27	23	50
Gross premium written	16	23	39
Change in the provisions for unearned premiums	11	-	11
Net insurance benefits and claims	-	(14)	(14)
Claims paid	(1)	(7)	(8)
Change in provisions for outstanding claims	1	-	1
Change in mathematical provisions	-	(6)	(6)
Change in life provisions for profit participation allocated to policyholders	-	(1)	(1)
Acquisition cost	(9)	(6)	(15)
Total insurance income	**18**	**3**	**21**

In millions of EUR, for the six months ended 30 June 2016

	Non-life	Life	Total
Gross earned premium	32	17	49
Gross premium written	8	17	25
Change in the provisions for unearned premiums	24	-	24
Net insurance benefits and claims	(1)	(10)	(11)
Claims paid	(2)	(4)	(6)
Change in provisions for outstanding claims	1	-	1
Change in mathematical provisions	-	(5)	(5)
Change in life provisions for profit participation allocated to policyholders	-	(1)	(1)
Acquisition cost	(13)	(4)	(17)
Total insurance income	**18**	**3**	**21**

E.26. Net rental and related income

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

	2017	2016
Gross rental income	60	61
Service income	7	7
Service charge income	11	7
Service charge expense	(7)	(5)
Total net rental and related income	**71**	**70**

E.27. Net telecommunication income

Telecommunication income comprises the following:

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

	2017	2016
Revenues from voice services	440	415
Revenues from data services	237	251
Other telecommunication services	194	181
Telecommunication income	**871**	**847**

Telecommunication expenses comprise the following:

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

	2017	2016
Interconnection and roaming	214	206
Cost of goods sold	51	42
Commissions	18	22
Sub-deliveries	15	14
Other costs	21	21
Telecommunication expenses	**319**	**305**
Net telecommunication income	**552**	**542**

E.28. Net agricultural income

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

	2017	2016
Sales of goods	8	3
Cost of sales	(7)	(2)
Other revenue	1	-
Change in fair value of biological assets	2	3
Total net agriculture income	**4**	**4**

E.29. Other income

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

	2017	2016
Rental income	5	6
Gain on disposal of PPE and intangible assets	2	2
Foreign currency income	-	81
Sales of goods	-	1
Cost of goods sold	-	(1)
Other	27	41
Total other income	**34**	**130**

E.30. General administrative expenses

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

	2017	2016
Employee compensation	511	341
Payroll related taxes (including pension contribution)	125	81
Advertising and marketing	41	29
Professional services	60	33
Telecommunication and postage	37	28
Travel expenses	13	12
Taxes other than income tax	25	36
Information technologies	46	49
Rental, maintenance and repair expense	84	76
Collection agency fees	19	15
Distribution, transport and storage of goods	1	1
Other	31	26
Total general administrative expenses	**993**	**727**

E.31. Other operating expenses

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

	2017	2016
Depreciation of property, plant and equipment	109	105
Amortisation of intangible assets	103	105
Foreign currency losses	48	-
Net impairment losses on goodwill recognised	-	3
Net impairment losses on other intangible assets	1	4
Net impairment losses other assets	7	17
Net impairment losses on trading property	-	(2)
Loss on disposal of PPE and intangible assets	1	3
Total other operating expenses	**269**	**235**

E.32. Income tax expense

Income tax expense comprises the following:

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

	2017	2016
Current tax expense	(175)	(97)
Deferred tax expense	58	12
Total income tax expense	**(117)**	**(85)**

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 in respect of continuing operations for the six months ended 30 June 2017 was 29% (30 June 2016: 25%). The change in the effective tax rate is caused by the change in the structure of tax deductible expenses and taxable income.

E.33. Discontinued operations

Discontinued operations represent the financial performance of Eldorado business disposed in December 2016.

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

	2016
Sales of goods	612
Cost of goods sold	(486)
Other income on retail operations	12
Net income on retail operations	**138**
Interest income	1
Interest expense	(7)
Fee and commission income	13
Fee and commission expense	(5)
Other income	9
General administrative expenses	(147)
Out of which	
Employee compensation	(45)
Payroll related taxes (including pension contribution)	(11)
Rental, maintenance and repair expense	(42)
Advertising and marketing	(15)
Information technologies	(4)
Distribution, transport and storage of goods	(3)
Professional services	(2)
Telecommunication and postage	(1)
Travel expenses	(1)
Taxes other than income tax	(1)
Other	(22)
Other operating expenses	(11)
Out of which	
Depreciation on property, plant and equipment	(9)
Amortisation of intangible assets	(2)
Profit/(loss) before tax	**(9)**
Income tax expense	2
Net profit from discontinued operations	**(7)**
Net profit from discontinued operations attributable to NCI	(2)
Net profit from discontinued operations attributable to owners of the parent	(5)

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

	2016
Cash flows from/(used in) operating activities	16
Cash flows from/(used in) investing activities	(8)
Cash flows from/(used in) financing activities	(24)
Net cash flow used in discontinued operations	**(16)**

E.34. Off-balance sheet items

E.34.1. Commitments and contingent liabilities

The contractual amounts of commitments and contingent liabilities are set out in the following table by category. The amounts reflected in the table for commitments assume that these amounts have been fully advanced. The amounts set forth in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the reporting date if the counterparties failed completely to meet their contractual obligations.

The Group companies included in the banking segment engage in providing open credit facilities to allow customers quick access to funds in order to meet their short-term obligations as well as their long-term financing needs. Such credit facilities can take the form of guarantees, whereby the Group might guarantee repayment of a loan taken out by a client with a third party; stand-by letters of credit which are credit enhancement facilities enabling customers to engage in trade finance at lower cost; documentary letters of credit for obtaining lower cost financing for foreign trade on behalf of a customer; documentary letters of credit reimbursable to a Group company later and debt facilities and revolving underwriting facilities that allow customers to issue short or medium-term debt instruments without engaging in the normal underwriting process on each occasion. Revenue from provided guarantees is recognised under "Fee and commission income" and is determined by applying the agreed rates to the nominal amount of the guarantees.

In millions of EUR

	30 June 2017	31 December 2016
Loan commitments	647	756
Revolving loan commitments	396	528
Consumer loan commitments	38	58
Cash loan commitments	29	18
Undrawn overdraft facilities	40	34
Term loan facilities	144	118
Capital expenditure commitments	59	42
Guarantees provided	86	93
Non-payment guarantees	33	35
Non-revocable letters of credit	1	1
Payment guarantees	52	57
Total commitments and contingent liabilities	**792**	**891**

These commitments and contingent liabilities have an off-balance sheet credit risk because only organisation fees and accruals for probable losses are recognised in the statement of financial position until the commitments are fulfilled or expire. Many of the contingent liabilities and commitments will expire without being advanced in whole or in part. Therefore, the amounts do not represent the expected future cash flows.

The following table shows secured liabilities:

In millions of EUR

	30 June 2017	31 December 2016
Secured bank loans	7,405	6,742
Debt securities issued	185	-
Total secured liabilities	**7,590**	**6,742**

The secured bank loans include a loan to the Ryazan project (refer to E.14) which is not fully covered by the investment property pledged: the fair value of the property as of 30 June 2017 was MEUR 55 lower (2016: MEUR 54 lower).

The assets pledged as security were as follows:

In millions of EUR

	30 June 2017	31 December 2016
Cash and cash equivalents	475	986
Financial assets at fair value through profit and loss (repos)	76	293
Financial assets available for sale (repos)	501	410
Financial assets available for sale (other)	-	11
Loans and receivables due from banks and other financial institutions	38	22
Loans and receivables due from customers	7,438	4,364
Investment property	1,274	1,228
Property, plant and equipment	81	80
Financial assets as off-balance sheet items (repos)	3,928	-
Total assets pledged as security	**13,811**	**7,394**

As of 30 June 2017, cash and cash equivalents of MEUR 475 (2016: MEUR 985) were restricted by borrowing agreements with the creditors in Chinese Home Credit either to the disbursement of loans to retail clients or to the repayment of the loans received from creditors. If the cash was used to provide loans to retail clients, the loans were pledged as collateral. Thus, the restriction on the cash effectively increases the security of the creditors.

In addition, the Group pledges certain shares in O2 CR and CETIN. As of 30 June 2017, a 61.62% share in O2 CR (2016: 85.40%) and a 10.27% share in CETIN (2016: 43.27%) were used as collateral for several funding facilities (refer to E.14).

E.34.2. Other contingencies

E.34.2.1. Litigation

The Group (as a former sole shareholder of Česká pojišťovna a.s.) is involved in litigation (formally consisting of five disputes merged procedurally into one) in which the adequacy of the consideration paid to minority shareholders arising from the decision of the general meeting of Česká pojišťovna a.s. adopted in July 2005 approving a squeeze-out of minority shareholders, is being challenged in court. On 13 June 2016, the Municipal Court in Prague fully dismissed the action of the ex-minority shareholders, however some of these have appealed against the dismissal. Based on legal analyses carried out by external legal counsel, management believes that it is unlikely that this case will be concluded in favour of the plaintiffs.

Furthermore, the Group (through its subsidiary PPF A4 B.V.) is involved in litigations connected to a squeeze-out of minority shareholders in Česká telekomunikační infrastruktura a.s. (CETIN), approved by general meeting of this company on 3 December 2015. Several former minority shareholders filed their actions with the relevant court and asked the court to decide on adequate consideration (i.e. higher than that originally paid by PPF A4 B.V.) for their shares in CETIN. No hearing has been scheduled yet.

The following legal cases related to O2 CR are significant from the Group's perspective:

On 28 March 2011, VOLNÝ, a.s. filed a legal action with the Municipal Court in Prague against O2 CR for an amount exceeding MEUR 146, regarding alleged abuse of a dominant position in the market of broadband internet access for households via ADSL technology. Allegedly, this is due to a margin squeeze applied by O2 CR on the fixed broadband market. O2 CR replied to the petition in July 2011 by noting that both the claim and the calculations submitted by the claimant were unsubstantiated and by pointing at discrepancies in the petition claims. First hearings took place in 2013 and 2014. Another hearing took place on 30 March 2016, where the court again considered the option to nominate a revision expert, who would review the opinions filed by VOLNÝ and by O2 CR. VOLNÝ proposed an expert, who eventually turned out to be biased because of the merit; thus O2 CR filed a protest. Subsequently the court appointed other expert and defined a set of questions. The outcome of the expert's review is not yet known.

The legal action under which Vodafone Czech Republic a.s. claims amount MEUR 14 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. An oral hearing has not yet taken place.

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.

The Group believes that all litigation risk has been faithfully reflected in the financial statements.

E.34.2.2. Taxation

The taxation systems in the Russian Federation, Kazakhstan, Vietnam and China are characterised by frequent changes in legislation which are then subject to varying interpretations by diverse tax authorities. Taxes are subject to review and investigation by a number of authorities that have the power to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities for several subsequent calendar years. Common practice in the Russian Federation, Kazakhstan, Vietnam, China, India, Indonesia and Philippines suggests that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

The facts mentioned above may create tax risks in the respective countries that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities and that outstanding tax receivables are recoverable based on its interpretations of applicable tax legislation, official pronouncements and court decisions within each country in question.

Furthermore a VAT reform was completed in China in 2016 and a new Goods and service tax was implemented in India as of 1 July 2017.

In terms of other countries where Group companies operate, several changes in tax legislation have been observed in recent years, especially in Cyprus, the Netherlands, the Czech Republic and the Slovak Republic. However, these changes have had no significant impact on the tax positions of any of the Group companies.

E.34.3. Guarantee received and off-balance sheet assets

Guarantees received and off-balance sheet assets were as follows:

In millions of EUR

	30 June 2017	31 December 2016
Guarantees received	174	202
Loan commitments received	277	268
Value of assets received as collateral (including repos)	1,740	1,745
Total contingent assets	**2,191**	**2,215**

E.35. Related parties

E.35.1. Transactions with associates

During the course of the year the Group had the following significant transactions at arm's length with associates:

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

	2017	2016
Interest income	1	1
Total revenue	**1**	**1**

At the reporting date the Group had the following balances with associates:

In millions of EUR

	30 June 2017	31 December 2016
Loans due from customers	70	40
Total assets	**70**	**40**
Due to non-banks	(1)	(2)
Total liabilities	**(1)**	**(2)**

E.35.2. Other related parties including key management personnel

During the course of the year the Group had the following significant transactions at arm's length with other related parties:

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

	2017	2016
Interest income	8	10
Other income	-	1
Total revenue	**8**	**11**
General administrative expenses	(7)	(7)
Total expenses	**(7)**	**(7)**

At the reporting date the Group had the following balances with other related parties:

In millions of EUR

	30 June 2017	31 December 2016
Loans due from customers	241	254
Trade and other receivables	-	15
Intangible assets	2	4
Other assets	1	1
Total assets	**244**	**274**
Due to non-banks	(11)	(4)
Trade and other payables	(3)	(5)
Total liabilities	**(14)**	**(9)**

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 2016, except for the changes described below.

F.2. Changes in accounting policies and accounting pronouncements adopted since 1 January 2017

The following published Standards, Amendments and Interpretations to existing standards are mandatory and relevant for the Group's accounting periods and have been applied by the Group since 1 January 2017:

Amendments to IAS 7 Statement of Cash Flows (effective from 1 January 2017)

The amendments are part of the IASB's disclosure initiative project and introduce additional disclosure requirements intended to address investors' concerns that financial statements do not currently enable them to understand the entity's cash flows, particularly with respect to the management of financing activities.

This standard did not have significant impact on the Group's financial statements.

Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses (effective from 1 January 2017)

In January 2016, IASB issued amendments to IAS 12 Income Taxes. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value.

This standard did not have significant impact on the Group's financial statements.

Annual Improvements 2014-2016 Cycle (effective from 1 January 2017 and 1 January 2018)

In November 2015 the IASB published Annual Improvements to IFRS 2014-2016 Cycle as part of the annual improvements process to make non-urgent but necessary amendments to IFRS. Out of the amendments contained in the 2014-2016 Cycle, the amendment to IFRS 12 is effective from 1 January 2017.

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

A number of new Standards, amendments to Standards and Interpretations are not yet effective as of 30 June 2017, and have not been applied in preparing these financial statements. Of these pronouncements, potentially the following will have an impact on the Group's operations. The Group plans to adopt these pronouncements when they become effective. The Group is in the process of analysing the likely impact on its financial statements.

IFRS 9 Financial Instruments (effective from 1 January 2018)

IFRS 9 Financial Instruments, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement, and includes requirements for the classification and measurement of financial instruments, the impairment of financial assets and hedge accounting.

Classification and measurement
IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated. Instead, the whole hybrid instrument is assessed for classification. Equity investments are measured at fair value.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, although under IAS 39 all fair value changes of liabilities designated under the fair value option were recognised in profit or loss, under IFRS 9, fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

Impairment
IFRS 9 replaces the "incurred loss" model in IAS 39 with an expected credit loss model. The new impairment model applies to financial assets measured at amortised cost and FVOCI, lease receivables, certain loan commitments and financial guarantee contracts. The new impairment model generally requires to recognise expected credit losses in profit or loss for all financial assets, even those that are newly originated or acquired. Under IFRS 9, impairment is measured as either expected credit losses resulting from default events on the financial instrument that are possible within the next 12 months ("12-month ECL") or expected credit losses resulting from all possible default events over the expected life of the financial instrument ("lifetime ECL"). The initial amount of expected credit losses recognised for a financial asset is equal to 12-month ECL (except for certain trade and lease receivables, and contract assets, or purchased or originated credit-impaired financial assets). If the credit risk on the financial instrument has increased significantly since initial recognition, the loss allowance is measured at an amount equal to lifetime ECL.

Financial assets for which 12-month ECL is recognised are considered to be in stage 1; financial assets that have experienced a significant increase in credit risk since initial recognition, but are not defaulted are considered to be in stage 2; and financial assets that are in default or otherwise credit-impaired are considered to be in stage 3.

The measurement of expected credit losses is required to be unbiased and probability-weighted, should reflect the time value of money and incorporate reasonable and supportable information about past events, current conditions and forecasts of future economic conditions that is available without undue cost or effort. Under IFRS 9, credit losses are recognised earlier than under IAS 39, resulting in increased volatility in profit or loss. It will also tend to result in an increased impairment allowance, since all financial assets will be assessed for at least 12-month ECL and the population of financial assets to which lifetime ECL applies is likely to be larger than the population with objective evidence of impairment identified under IAS 39.

The calculation of expected credit losses is likely to be based on the approach (at least for some portfolios), depending on the type of the exposure, the stage at which the exposure is classified under IFRS 9, collective or individual assessments, etc.

Hedge accounting
The general hedge accounting requirements aim to simplify hedge accounting, aligning the hedge accounting more closely with risk management strategies. The standard does not explicitly address macro hedge accounting, which is being considered in a separate project. IFRS 9 includes an accounting policy choice to continue to apply the hedge accounting requirements of IAS 39.

Transition
The classification and measurement and impairment requirements are generally applied retrospectively (with some exemptions) by adjusting the opening retained earnings and reserves at the date of initial application, with no requirement to restate comparative periods.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018. Early adoption of the standard is permitted. The Group does not intend to adopt the standard earlier.

Based on its preliminary assessment, the Group, as a significant consumer and corporate financing provider, expects that substantially all of financial assets classified as loans and receivables under IAS 39 will continue to be measured at amortised cost under IFRS 9. This is relevant mainly for the consumer finance and banking segments.

It is expected that most of the Group’s debt securities will be measured at FVOCI, but the final determination will depend on the outcome of the business model test.

It is expected that deposits from customers will be continued to be measured at amortised cost under IFRS 9.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9. Given the nature of the Group’s operations, it is expected that the new expected credit loss model under IFRS 9 will accelerate the recognition of impairment losses and lead to higher impairment allowances at the date of initial application. The Group has not yet finalised the impairment methodologies that it will apply under IFRS 9 and is, therefore not yet able to quantify the expected impact that the initial application of IFRS 9 will have on its financial statements.

IFRS 15 Revenue from Contracts with Customers (effective from 1 January 2018)

In May 2014, IASB and the Financial Accounting Standards Board (FASB), responsible for US Generally Accepted Accounting Principles (US GAAP), jointly issued a converged standard on the recognition of revenue from contracts with customers. The core principle of the new standard is for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (i.e. payment) to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements.

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue-Barter Transactions Involving Advertising Services.

In April 2016 IASB issued amendments to IFRS 15 clarifying some requirements and providing additional transitional relief for companies that are implementing the new standard. IFRS 15 has been adopted by the EU.

Given the nature of the Group's operations, this standard is expected to have significant impact only on the Group's telecommunication business represented by O2 CR (see below).

O2 CR enters into contracts with a large number of customers with similar contractual terms. The Group is considering to apply a portfolio approach to contracts that can be grouped into portfolios with similar terms as other telecommunication peers, as it reasonably expects that the effect of applying a portfolio approach will not differ materially from considering each contract separately. Contracts with unique terms that do not fit into any portfolio will be assessed for individually accounting treatment.

Promises to transfer distinct goods or services are defined as performance obligations in the standard. O2 CR provides telecommunication services which are offered on a stand-alone basis and do represent separate performance obligations. Most of the services or goods which are sold in bundles constitute a separate performance obligation as a customer can benefit from this performance obligation on stand-alone basis.

In accordance with the requirements of the new standard the transaction price will be allocated to separate performance obligations within a contract based on relative stand-alone selling prices of the goods or services promised in accordance with the requirements of the new standard.

The Group will recognise revenue when a good or service is transferred to the customer and the customer obtains control of that good or service. The Group will first assess whether the performance obligation has been satisfied over time or at a point in time. Most services are provided over time because customers benefit from those services as the services are rendered.

Management plans to elect the modified cumulative retrospective transition approach, which means that the Group will use the new guidance only in regards to contracts that are not completed at the adoption date of 1 January 2018. The cumulative effect of initially applying the standard will be recognised as an adjustment to the opening balance of retained earnings as of 1 January 2018.

The adoption of the new standard will result in significant changes in the financial statements of the Group, primarily in respect of the timing of revenue recognition and in respect of the capitalisation of costs of obtaining a contract with a customer.

As a result of the front-loading revenue and capitalisation of costs to obtain contracts, management expects that the net assets of O2 CR will increase due to the implementation of IFRS 15.

O2 CR's operations and associated systems are complex and the necessary time and effort currently estimated to develop and implement the accounting policies, estimates, judgments and processes required to comply with the new standard are expected to take a substantial amount of time and attention. Management has hence launched an IFRS 15 implementation project.

The Group does not expect this standard to have a significant impact on other Group operations.

IFRS 16 Leases (effective from 1 January 2019)

In January 2016, IASB issued a new Standard on Leases. The standard requires companies to bring most leases on-balance sheet, recognising new assets and liabilities. IFRS 16 eliminates the classification of leases as either operating or finance for lessees and, instead, introduces a single lessee accounting model. This model reflects the fact that leases result in a company obtaining the right to use an asset (the "lease asset") at the start of the lease and, because most lease payments are made over time, also obtaining financing. As a result, the new standard requires lessees to account for all of their leases in a manner similar to the way finance leases were treated under IAS 17. IFRS 16 includes two exemptions from recognising assets and liabilities: for (a) short-term leases (i.e. leases of 12 months or less); and (b) leases of low-value items (such as personal computers).

Applying IFRS 16, a lessee will:

- recognise lease assets (as a separate line item or together with property, plant and equipment) and lease liabilities in the balance sheet;
- recognise depreciation of lease assets and interest on lease liabilities in the income statement; and
- present the amount of cash paid for the principal portion of the lease liability within financing activities, and the amount paid for the interest portion within either operating or financing activities, in the cash flow statement.

IFRS 16 has not yet been adopted by the EU.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 16. This standard is expected to have an impact on the Group's financial statements.

IFRS 17 Insurance Contracts (effective from 1 January 2021)

IFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity.

IFRS 17 has not yet been adopted by the EU.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 17.

Amendments to IFRS 4 Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective from 1 January 2018)

The amendments address concerns arising from implementing the new financial instruments Standard, IFRS 9, before implementing the replacement Standard that the Board is developing for IFRS 4. These concerns include temporary volatility in reported results.

The amendments introduce two approaches: an overlay approach and a deferral approach. The amended Standard will:

- give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts Standard is issued; and
- give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments Standard – IAS 39.

The amendments to IFRS 4 supplement existing options in the Standard that can already be used to address the temporary volatility. These Amendments have not yet been adopted by the EU.

These amendments are not expected to have significant impact on the Group's financial statements.

Annual Improvements 2014-2016 Cycle (effective from 1 January 2017 and 1 January 2018)

In November 2015 the IASB published Annual Improvements to IFRS 2014-2016 Cycle as part of the annual improvements process to make non-urgent but necessary amendments to IFRS. Out of the amendments contained in the 2014-2016 Cycle, the amendments to IFRS 1 and IAS 28 are effective from 1 January 2018.

These Annual Improvements have not yet been adopted by the EU.

IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective from 1 January 2018)

The IFRIC 22 clarifies the transactions date used to determine the exchange rate for foreign currency transactions involving an advance payment or receipt: the transaction date is the date on which the company initially recognizes the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date.

This interpretation has not yet been adopted by the EU. It is not expected to have significant impact on the Group's financial statements.

G. Subsequent events

G.1. Partnership with PAG Asia Capital

In July 2017 the Group signed a strategic partnership agreement with PAG Asia Capital ("PAG"), one of Asia's largest private equity firms, with the aim of supporting the long-term development of the Group's business, in China. Within this deal, PAG has made an investment to the Group, in a form of a long term loan provided to the Group's subsidiary Favour Ocean Ltd. and amounting to BRMB 2.162 (MEUR 279), with a view of becoming a minority shareholder of the Group's Chinese operations in the horizon of three to five years. The Group and PAG envision a long-term strategic partnership with a goal to eventually list the Group's Chinese operations on an internationally recognised stock exchange, subject to all necessary regulatory approvals.

G.2. Acquisition of Sully System

In October 2017, the Group signed an agreement for acquisition of a 40% stake in Sully System a.s. Sully System a.s. a group comprises Mall Group and Heureka, representing e-commerce platform in Central and Eastern Europe and comparison shopping platform in the Czech Republic and Slovakia. Total acquisition price amounted to 20 MEUR and it comprises acquisition of shares and assignment of loans which will be partially capitalised. The investment will be classified as an associate.

Date:	Signature of the Board of Directors:
27 October 2017	