PPF GROUP N.V.

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

KPMG

Review report

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

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements as at 30 June 2019 of PPF Group N.V., Amsterdam, which comprises the condensed consolidated interim statement of financial position as at 30 June 2019, the condensed consolidated interim income statement, condensed consolidated interim statements of comprehensive income, changes in equity, and cash flows for the six-month period ended 30 June 2019, and the notes, comprising a summary of the significant accounting policies and other explanatory information. Management of the Company is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements as at 30 June 2019 are not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

Amstelveen, 28 October 2019

KPMG Accountants N.V.

M. Frikkee RA

Contents

Glossary of abbreviations

OCI	- other comprehensive income
NCI	- non-controlling interests
FVTPL	- fair value through profit or loss
FVOCI	- fair value through other comprehensive income
PPE	- property, plant and equipment
IPRD	- in-progress research and development
FX	- foreign exchange
CGU	- cash generating unit
RBNS	- provision for claims reported but not settled
JV	- joint venture
ECL	- expected credit loss
PD	- probability of default
LGD	- loss given default
ROU	- right of use asset

Condensed consolidated interim statement of financial position

In millions of EUR

	Note	30 June 2019	31 December 2018
ASSETS			
Cash and cash equivalents	E1	9,222	10,120
Investment securities	E2	3,283	3,359
Loans and receivables due from banks and other financial institutions	E3	651	349
Loans due from customers	E4	20,548	18,803
Trade and other receivables	E5	787	870
Contract assets	E5	297	277
Current tax assets		35	19
Inventories	E6	201	193
Equity-accounted investees	E7	1,032	920
Investment property	E8	2,045	1,743
Property, plant and equipment	E9	3,839	3,158
Goodwill	E10.1	1,666	1,648
Intangible assets	E10	2,620	2,673
Deferred tax assets		505	477
Other assets	E11	528	475
TOTAL ASSETS		**47,259**	**45,084**
LIABILITIES			
Financial liabilities at fair value through profit or loss		635	761
Due to non-banks	E12	12,853	11,396
Due to banks and other financial institutions	E13	17,226	18,525
Debt securities issued	E14	3,523	2,593
Subordinated liabilities	E15	261	396
Current tax liabilities		86	111
Trade and other payables	E16	2,746	2,315
Contract liabilities	E5	218	208
Provisions	E17	316	279
Deferred tax liabilities		636	600
TOTAL LIABILITIES		**38,500**	**37,184**
CONSOLIDATED EQUITY			
Issued capital	E18	1	1
Share premium	E18	677	677
Other reserves	E19	(37)	(379)
Retained earnings		7,649	7,186
Total equity attributable to owners of the Parent		8,290	7,485
Non-controlling interests	E20	469	415
Total consolidated equity		**8,759**	**7,900**
TOTAL LIABILITIES AND EQUITY		**47,259**	**45,084**

Condensed consolidated interim income statement

For the six months ended 30 June

In millions of EUR

	Note	2019	2018
Interest income		2,740	2,274
Interest expense		(934)	(687)
Net interest income	E21	**1,806**	**1,587**
Fee and commission income		323	430
Fee and commission expense		(99)	(87)
Net fee and commission income	E22	**224**	**343**
Net earned premiums		36	35
Net insurance benefits and claims		(15)	(13)
Acquisition costs		(8)	(9)
Net insurance income	E25	**13**	**13**
Net rental and related income	E26	92	81
Property operating expenses		(15)	(16)
Net valuation gain/(loss) on investment property		14	(29)
Net income related to construction contracts		-	1
Profit/(loss) on disposal of investment property		-	1
Net real estate income		**91**	**38**
Telecommunication income		1,506	912
Telecommunication expenses		(492)	(329)
Net telecommunication income	E27	**1,014**	**583**
Mechanical engineering income		192	101
Mechanical engineering expenses		(112)	(57)
Net mechanical engineering income	E28	**80**	**44**
Net gain/(loss) on financial assets	E23	(18)	79
Net agriculture income	E29	3	3
Other income	E30	144	53
TOTAL OPERATING INCOME		**3,357**	**2,743**
Net impairment losses on financial assets	E24	(878)	(995)
Personnel expenses	E31	(792)	(733)
Depreciation and amortisation	E32	(452)	(241)
Other operating expenses	E31	(507)	(501)
Profit/(loss) on disposals/liquidations of equity-accounted investees and subsidiaries	B2	(2)	(13)
Share of profit/(loss) of equity-accounted investees, net of tax		13	18
PROFIT BEFORE TAX		**739**	**278**
Income tax expense	E33	(166)	(58)
NET PROFIT FOR THE PERIOD		**573**	**220**
Profit attributable to:			
Owners of the Parent		537	211
Non-controlling interests	E20	36	9

Condensed consolidated interim statement of comprehensive income

For the six months ended 30 June

In millions of EUR

	2019	2018
NET PROFIT FOR THE PERIOD	**573**	**220**
Other comprehensive income		
Valuation gains/(losses) on FVOCI equity instruments	110	(146)
Valuation gains/(losses) on FVOCI debt securities*	22	(27)
FVOCI revaluation (gains)/losses transferred to income statement*	(1)	(10)
Foreign operations - currency translation differences*	192	(93)
Effect of movement in equity of equity-accounted investees*	11	253
Disposal of subsidiaries and associates*	-	17
Cash flow hedge – effective portion of changes in fair value*	5	(8)
Income tax relating to components of other comprehensive income*	(3)	6
Other comprehensive income/(expense) for the period (net of tax)	**336**	**(8)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**909**	**212**
Total comprehensive income attributable to:		
Owners of the Parent	863	210
Non-controlling interests	46	2

* Items that will be reclassified to income statement.

Condensed consolidated interim statement of changes in equity

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

	Capital issued	Share premium	Revaluation reserve	Legal and statutory reserves	Translation reserve	Hedging reserve	Other reserves	Retained earnings	Attributable to owners of the Parent	Attributable to non-controlling interests	Total
Balance as at 1 January 2019	**1**	**677**	**(133)**	**129**	**(742)**	**371**	**(4)**	**7,186**	**7,485**	**415**	**7,900**
Effect of a change in functional currency of a subsidiary	-	-	-	-	4	-	-	(4)	-	-	-
Balance as at 1 January 2019 (adjusted)	**1**	**677**	**(133)**	**129**	**(738)**	**371**	**(4)**	**7,182**	**7,485**	**415**	**7,900**
Profit for the period	-	-	-	-	-	-	-	537	537	36	573
Currency translation differences	-	-	-	-	183	-	-	-	183	9	192
FVOCI revaluation gains/(losses) taken to equity	-	-	131	-	-	-	-	-	131	1	132
FVOCI revaluation (gains)/losses transferred to income statement	-	-	(1)	-	-	-	-	-	(1)	-	(1)
FVOCI revaluation (gains) transferred to retained earnings	-	-	(3)	-	-	-	-	3	-	-	-
Effect of hedge accounting	-	-	-	-	-	5	-	-	5	-	5
Effect of movement in equity of associates/JV	-	-	-	-	(19)	30	-	-	11	-	11
Tax on items taken directly to or transferred from equity	-	-	(4)	-	-	-	1	-	(3)	-	(3)
Total comprehensive income for the period	**-**	**-**	**123**	**-**	**164**	**35**	**1**	**540**	**863**	**46**	**909**
Net allocation to legal and statutory reserves	-	-	-	9	-	-	-	(9)	-	-	-
Dividends to NCI	-	-	-	-	-	-	-	-	-	(33)	(33)
Sale of NCI	-	-	-	-	-	-	-	(3)	(3)	34	31
Other changes in NCI	-	-	-	-	-	-	-	(57)	(57)	4	(53)
Contributions/(distributions) by NCI	-	-	-	-	-	-	-	-	-	2	2
Other	-	-	-	-	-	-	6	(4)	2	1	3
Total transactions with owners of the Company	**-**	**-**	**-**	**9**	**-**	**-**	**6**	**(73)**	**(58)**	**8**	**(50)**
Balance as at 30 June 2019	**1**	**677**	**(10)**	**138**	**(574)**	**406**	**3**	**7,649**	**8,290**	**469**	**8,759**

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

	Capital issued	Share premium	Revaluation reserve	Legal and statutory reserves	Translation reserve	Hedging reserve	Other reserves	Retained earnings	Attributable to owners of the Parent	Attributable to non-controlling interests	Total
Balance as at 1 January 2018	**1**	**677**	**(44)**	**90**	**(548)**	**-**	**(7)**	**6,738**	**6,907**	**470**	**7,377**
Adjustment on initial application of IFRS 9 (net of tax; refer to F.1.2.)	-	-	2	-	-	-	-	(189)	(187)	(24)	(211)
Adjustment on initial application of IFRS 15 (net of tax; refer to F.1.2)	-	-	-	-	-	-	-	21	21	4	25
Balance as at 1 January 2018 (adjusted)	**1**	**677**	**(42)**	**90**	**(548)**	**-**	**(7)**	**6,570**	**6,741**	**450**	**7,191**
Profit for the period	-	-	-	-	-	-	-	211	211	9	220
Currency translation differences	-	-	-	-	(88)	-	-	-	(88)	(5)	(93)
FVOCI revaluation gains/(losses) taken to equity	-	-	(171)	-	-	-	-	-	(171)	(2)	(173)
FVOCI revaluation (gains)/losses transferred to income statement	-	-	(10)	-	-	-	-	-	(10)	-	(10)
Effect of hedge accounting	-	-	-	-	-	(8)	-	-	(8)	-	(8)
Effect of movement in equity of associates/JV	-	-	-	-	(7)	255	5	-	253	-	253
Disposal and deconsolidation of subsidiaries	-	-	-	(1)	18	-	-	-	17	-	17
Tax on items taken directly to or transferred from equity	-	-	6	-	-	-	-	-	6	-	6
Total comprehensive income for the period	**-**	**-**	**(175)**	**(1)**	**(77)**	**247**	**5**	**211**	**210**	**2**	**212**
Net allocation to legal and statutory reserves	-	-	-	6	-	-	-	(6)	-	-	-
Dividends to shareholders	-	-	-	-	-	-	-	(40)	(40)	-	(40)
Dividends to NCI	-	-	-	-	-	-	-	-	-	(40)	(40)
Other changes in NCI	-	-	-	-	-	-	-	(4)	(4)	3	(1)
Contributions/(distributions) by NCI	-	-	-	-	-	-	-	-	-	9	9
Total transactions with owners of the Company	**-**	**-**	**-**	**6**	**-**	**-**	**-**	**(50)**	**(44)**	**(28)**	**(72)**
Balance as at 30 June 2018	**1**	**677**	**(217)**	**95**	**(625)**	**247**	**(2)**	**6,731**	**6,907**	**424**	**7,331**

Condensed consolidated interim statement of cash flows

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

In millions of EUR

	Notes	2019	2018
Cash flows from operating activities			
Profit before tax		739	278
Adjustments for:			
(Gains)/losses on disposal of consolidated subsidiaries/associates		2	(1)
Interest expense	E21	934	687
Interest income	E21	(2,740)	(2,274)
Gain on bargain purchase	B2	(38)	-
Other adjustments		1,244	1,062
Interest received		2,864	2,468
Change in assets and liabilities		(2,187)	(3,073)
Net cash from/(used in) operating activities		**818**	**(853)**
Cash flows from investing activities			
Dividends received		16	11
Purchase of tangible assets and intangible assets		(352)	(248)
Purchase of investments property		(5)	-
Acquisition of subsidiaries and associates, net of cash acquired	B2	(269)	(423)
Proceeds from disposals of subsidiaries and associates, net of cash disposed	B2	31	4
Other movements		292	208
Net cash from/(used in) investing activities		**(287)**	**(447)**
Cash flows from financing activities			
Interest paid		(820)	(950)
Dividends and other distribution (incl. those to NCI)		(33)	(80)
Change in debt securities issued		751	(96)
Change in loans from banks and other financial institutions		(1,394)	278
Cash payment for principal portion of lease liability		(50)	-
Cash flow from financing activities		**(1,546)**	**(848)**
Net decrease in cash and cash equivalents		**(1,015)**	**(2,148)**
Cash and cash equivalents as at 1 January		**10,120**	**9,118**
Effect of exchange rate changes on cash and cash equivalents		117	(137)
Cash and cash equivalents as at 30 June	**E1**	**9,222**	**6,833**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM 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, mechanical engineering, insurance, agriculture and biotechnology. Its activities span from Europe to the Russian Federation (“Russia”), the US and across Asia.

The condensed consolidated interim financial statements of the Parent Company for the six month period ended 30 June 2019 comprise the Parent Company and its subsidiaries (together referred to as “PPF Group” or the “Group”) and the Group’s interests in associates, joint ventures and affiliated entities. For a listing of significant Group entities and changes to the Group in 2019 and 2018 please refer to Section B of these consolidated financial statements.

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

As at 30 June 2019, the ultimate shareholder structure was as follows:

Petr Kellner - 98.93% (directly and indirectly)
Ladislav Bartoníček - 0.535% (indirectly)
Jean-Pascal Duvieusart - 0.535% (indirectly)

A.2. Statement of compliance

The condensed consolidated interim financial statements were authorised for issue by the Board of Directors on 28 October 2019.

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. Selected explanatory notes are included to explain events and transactions that are significant to understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2018. These condensed consolidated interim financial statements do not include all the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards.

This is the first set of the Group’s financial statements where IFRS 16 have been applied. Changes to significant accounting policies are described in Note F.1.

A.3. Basis of measurement

The Group decided to present a condensed consolidated interim statement of its financial position showing assets and liabilities in their broad order of liquidity because this presentation provides reliable and more relevant information than a presentation of current and non-current classifications.

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

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

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

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

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

A.4. Use of judgements and estimates

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

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

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

- the fair value of tangible and intangible assets identified during the purchase price allocation exercise and initial value of goodwill for each business combination (refer to B.2);
- in-progress research and development recognised as intangible asset (refer to E.10.2);
- the fair value of investment property (refer to E.8);

- the fair value of financial instruments (refer to C.1);
- provisions recognised under liabilities (refer to E.17);
- revenue recognition timing in terms of the transfer of control over the goods and services to the customer – at a point in time or over time (refer to E.27, E.28).

A.5. Basis of consolidation

Subsidiaries are entities controlled by the Group. The Group controls an entity if it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held (e.g. those resulting from a lending relationship) become substantive and lead to the Group having power over an investee. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of the subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

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

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

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

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

A.6. Presentation and functional currency

The condensed consolidated interim 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.

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, associates or joint ventures of the Parent Company as of 30 June 2019 and 31 December 2018.

Company	Domicile	Effective proportion of ownership interest 2019	Effective proportion of ownership interest 2018
PPF Group N.V.	Netherlands	Parent Company	Parent Company
PPF Financial Holdings subgroup - subsidiaries			
PPF Financial Holdings B.V.	Netherlands	100.00%	100.00%
AB 2 B.V.	Netherlands	91.12%	91.12%
AB 4 B.V.	Netherlands	91.12%	91.12%
AB 7 B.V.	Netherlands	91.12%	91.12%
AB Structured Funding 1 DAC	Ireland	91.12%	91.12%
Air Bank a.s.	Czech Republic	91.12%	91.12%
Bank Home Credit SB JSC	Kazakhstan	91.12%	91.12%
Favour Ocean Ltd.	Hong Kong	91.12%	91.12%
Guangdong Home Credit Number Two Information Consulting Co., Ltd.	China	91.12%	91.12%
HC Consumer Finance Philippines, Inc.	Philippines	91.12%	91.12%
HCPH Financing 1, Inc.	Philippines	91.12%	91.12%
Home Credit a.s.	Czech Republic	91.12%	91.12%
Home Credit and Finance Bank LLC	Russia	91.12%	91.12%
Home Credit Asia Ltd.	Hong Kong	91.12%	91.12%
Home Credit B.V.	Netherlands	91.12%	91.12%
Home Credit Consumer Finance China Ltd.	China	91.12%	91.12%
Home Credit Group B.V.	Netherlands	91.12%	91.12%
Home Credit India Finance Private Ltd.	India	91.12%	91.12%
Home Credit Indonesia PT	Indonesia	77.45%	77.45%
Home Credit Insurance LLC	Russia	91.12%	91.12%
Home Credit International a.s.	Czech Republic	91.12%	91.12%
Home Credit Slovakia, a.s.	Slovakia	91.12%	91.12%
Home Credit US, LLC	USA	45.65%	45.65%
Home Credit Vietnam Finance Company Ltd.	Vietnam	91.12%	91.12%
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%
Shenzhen Home Credit Number One Consulting Co., Ltd.	China	91.12%	91.12%
Shenzhen Home Credit Xinchi Consulting Co., Ltd.	China	91.12%	91.12%
Sichuan Home Credit Number Three Socioeconomic Consulting Co., Ltd	China	91.12%	91.12%
Telenor Banka a.d. Beograd (Novi Beograd)	Serbia	100.00%	-
Usconfin 1 DAC	Ireland	92.96%	92.96%
Zonky, s.r.o.	Czech Republic	91.12%	91.12%
PPF Financial Holdings subgroup - associates			
ClearBank Ltd.	United Kingdom	38.53%	37.70%
Eureka Analytics PTE. LTD.	Singapore	17.31%	24.33%
Nymbus, Inc.	USA	18.43%	18.43%
Real estate subgroup - subsidiaries			
PPF Real Estate Holding B.V.	Netherlands	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%
De Reling (Dronten) B.V.	Netherlands	100.00%	100.00%
Eusebius BS (Arnhern) B.V.	Netherlands	100.00%	100.00%
Fantom LLC	Russia	100.00%	100.00%
Fosol Enterprises Limited	Cyprus	89.91%	89.91%
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%
Charlie Com LLC	Russia	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%
Kartontara LLC (*renamed from Yugo-Vostochnaya promyshlennaya companiya "Kartontara" LLC*)	Russia	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%
Logistika-Ufa 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%
Plaza Development SRL	Romania	100.00%	100.00%
Pompenburg (Rotterdam) B.V.	Netherlands	100.00%	100.00%
PPF Gate, a.s.	Czech Republic	100.00%	100.00%
PPF Real Estate s.r.o.	Czech Republic	100.00%	100.00%
PPF Real Estate Russia LLC	Russia	100.00%	100.00%
One Westferry Circus S.a.r.l.	Luxembourg	100.00%	100.00%
Razvitie LLC	Russia	60.07%	60.07%
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%
Skladi 104 LLC	Russia	60.07%	60.07%
Skolkovo Gate LLC	Russia	100.00%	100.00%
Spektr LLC	Russia	100.00%	100.00%
Stockmann StP Centre LLC	Russia	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%
Wagnerford LLC	Russia	89.91%	89.91%
Wilhelminaplein B.V.	Netherlands	100.00%	100.00%
Real estate subgroup – associates/joint ventures			
Bohemia LLC	Russia	35.00%	35.00%
Flowermills Holding B.V.	Netherlands	49.94%	49.94%
Gilbey Holdings Ltd.	Cyprus	60.00%	60.00%
Komodor LLC	Ukraine	59.40%	59.40%
Marisana Enterprises Ltd.	Cyprus	49.94%	49.94%
Moravia LLC	Russia	35.00%	35.00%
Syner NN LLC	Russia	35.00%	35.00%
Telecommunications subgroup - subsidiaries			
PPF A3 B.V.	Netherlands	100.00%	100.00%
PPF TMT Holdco 1 B.V.	Netherlands	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%

O2 Czech Republic a.s.*	Czech Republic	83.40%	83.40%
O2 IT Services s.r.o.	Czech Republic	83.40%	83.40%
O2 Slovakia, s.r.o.	Slovakia	83.40%	83.40%
PPF Arena 1 B.V.	Netherlands	100.00%	100.00%
PPF Infrastructure B.V.	Netherlands	100.00%	100.00%
PPF Telco B.V.	Netherlands	100.00%	100.00%
PPF TMT Bidco 1 B.V.	Netherlands	100.00%	100.00%
Telenor Magyarország Zrt.	Hungary	100.00%	100.00%
Telenor Commmon Operation Zrt.	Hungary	100.00%	100.00%
Telenor d.o.o. Beograd	Serbia	100.00%	100.00%
Telenor Real Estate Hungary Zrt.	Hungary	100.00%	100.00%
Telenor d.o.o. Podgorica	Montenegro	100.00%	100.00%
Telenor Bulgaria EAD	Bulgaria	100.00%	100.00%
Engineering subgroup - subsidiaries			
PPF Beer Topholdco B.V.	Netherlands	90.00%	100.00%
Bammer trade a.s.	Czech Republic	90.00%	100.00%
Pars nova a.s.	Czech Republic	90.00%	100.00%
ŠKODA ELECTRIC a.s.	Czech Republic	90.00%	100.00%
Škoda Investment a.s.	Czech Republic	90.00%	100.00%
Škoda Transportation a.s.	Czech Republic	90.00%	100.00%
ŠKODA VAGONKA a.s.	Czech Republic	90.00%	100.00%
Transtech Oy	Finland	90.00%	100.00%
Engineering subgroup – joint ventures			
SIBELEKTROPRIVOD LLC	Russia	45.00%	50.00%
Other significant subsidiaries			
Bavella B.V.	Netherlands	100.00%	100.00%
Bestsport, a.s.	Czech Republic	100.00%	100.00%
BONAK a.s.	Czech Republic	100.00%	100.00%
Cytune Pharma SAS (*associate until July 2018*)	France	96.00%	96.00%
Facipero Investments Ltd.	Cyprus	100.00%	100.00%
Fodina B.V.	Netherlands	100.00%	100.00%
GEMCOL Ltd.	Cyprus	100.00%	100.00%
Letňany eGate s.r.o.	Czech Republic	100.00%	100.00%
Letňany Park Gate s.r.o.	Czech Republic	100.00%	100.00%
Letňany Air Land s.r.o.	Czech Republic	100.00%	100.00%
Letňany Air Logistics s.r.o.	Czech Republic	100.00%	100.00%
PPF a.s.	Czech Republic	100.00%	99.99%
PPF Capital Partners Fund B.V.	Netherlands	96.00%	96.00%
PPF CYPRUS MANAGEMENT Ltd. (*renamed from Anthiarose Ltd.*)	Cyprus	100.00%	100.00%
PPF Life Insurance LLC	Russia	100.00%	100.00%
Prague Entertainment Group 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%
Timeworth Holdings Ltd.	Cyprus	100.00%	100.00%
Vox Ventures B.V.	Netherlands	100.00%	100.00%
Other significant associates/joint ventures			
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%
Mall Group a.s.**	Czech Republic	40.00%	40.00%
CZC.cz s.r.o.	Czech Republic	40.00%	40.00%
Heureka Shopping s.r.o.	Czech Republic	40.00%	40.00%
Internet Mall Slovakia, s.r.o.	Slovakia	40.00%	40.00%
Internet Mall, a.s.	Czech Republic	40.00%	40.00%
Westminster JV a.s.	Czech Republic	50.00%	50.00%
Carolia Westminster Hotel Ltd.	United Kingdom	45.00%	45.00%

*As of 30 June 2019, due to existence of treasury shares held by O2 Czech Republic a.s. (hereinafter also “O2 CR”) the direct stake in the registered capital of this company is 81.06% (2018: 81.06%).
** This associate/JV 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., Flowermills Holding B.V., Marisana Enterprises Ltd.
United Kingdom	Tanaina Holdings Ltd., One Westferry Circus S.a.r.l.
Germany	Langen Property B.V., Monheim Property B.V., Trigon Berlin B.V.

B.2. Changes through business combinations in 2019/2018

B.2.1. Acquisition of real estate projects

In January 2019, the Group acquired a 100% share in Stockmann StP Centre LLC, an entity holding Nevsky shopping centre located in Saint Petersburg.

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

	Stockmann StP Center LLC
Transaction date	January 2019
Type of investment property	shopping mall
Location	Russia
Effective stake acquired	100%
In millions of EUR	
Consideration (paid in cash)	155
Fair value of assets acquired	205
of which:	
Investment property	202
Fair value of liabilities assumed	(50)

In April 2018, together with a minority partner, the Group acquired a 100% stake in Wagnerford LLC, an entity holding an up-and-running office building in Moscow (“Metropolis 2”). In April 2018, the Group acquired a 100% stake in One Westferry Circus S.a.r.l., an entity holding an up-and-running office building in London (“Westferry”). In November 2018, the Group acquired a 100% stake in Plaza Development SRL, an entity holding an up-and-running office building in Bucharest (“Crystal Tower”).

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

	Wagnerford LLC	One Westferry Circus S.a.r.l.	Plaza Development SRL
Transaction date	April 2018	April 2018	November 2018
Type of investment property	office building	office building	office building
Location	Russia	United Kingdom	Romania
Effective stake acquired	89.91%	100%	100%
In millions of EUR			
Consideration (paid in cash)	44	47	18
Consideration (deferred)	12	-	-
Fair value of assets acquired	128	126	48
of which:			
Investment property	124	123	41
Fair value of liabilities assumed	(72)	(79)	30

B.2.2. Acquisition of a Serbian banka

In June 2018, the Parent signed an agreement for the acquisition of a 100% stake in Telenor Banka a.g. Beograd, a Serbian bank providing consumer loans predominantly to the customers of Telenor Serbia, a telecommunication operator that PPF Group acquired in July 2018. The transaction was subject to regulatory approvals and closed in February 2019.

From the Group's perspective, the acquisition of Telenor Banka is considered a long-term investment on the PPF Group level, combining the telecommunications business with financial services provided to customers.

During the three month period ended 30 June 2019, the entity contributed revenue of MEUR 4 and loss of MEUR 2 to the Group´s results. If the acquisition had occurred on 1 January 2019, consolidated revenue and loss would have increased only insignificantly.

In accordance with IFRS 3, the Group initiated a purchase price allocation ("PPA") exercise to identify the fair value of assets and liabilities. The acquired business was identified as one cash-generating unit. Assets and liabilities denominated in foreign currencies were translated using the exchange rate valid as at the acquisition date and subsequently restated to their respective fair values. The difference between the allocated purchase price and the fair values of identified assets and liabilities resulted in the recognition of gain on a bargain purchase. At the date of these financial statements the Group has not yet finished the exercise and utilises the twelve month period given by IFRS 3 to finalise the PPA.

The following table summarises the recognised amounts of assets and liabilities assumed at the acquisition.

In millions of EUR, as at 20 February 2019

Fair value of assets	**167**
Cash and cash equivalents	68
Investment securities	27
Loans and receivables due from banks and other financial institutions	11
Loans due from customers	54
Property, plant and equipment, intangible assets	7
Fair value of liabilities	**129**
Due to banks and other financial institutions	2
Due to non-banks	117
Subordinated liabilities	5
Other liabilities	5
Fair value of identifiable net assets	**38**

Gain on bargain purchase arising from the acquisition has been recognised as follows:

In millions of EUR

Total consideration	Less than 0.1
Fair value of identifiable net assets	38
Gain on bargain purchase	38

B.2.3. Acquisition of a 2.5% share in Home Credit Group

On 31 December 2018, the Group acquired a 2.5% stake in Home Credit Group B.V. from a minority shareholder. The Group increased its shareholding in Home Credit from 88.62% to 91.12%. The difference between the purchase price and the net asset value attributable to non-controlling interests acquired was recognised directly in equity.

The following tables summarise the financial aspect of the transaction:

In millions of EUR

Consideration	163
Effective ownership acquired	2.5%
Net asset attributable to non-controlling interests acquired	54
Effect recorded in retained earnings (decrease)	(109)

The purchase price of a 2.5% stake in Home Credit Group B.V. was payable in three instalments; the first part of the consideration (MEUR 83) was paid on 31 December 2018; the second part (MEUR 80) was initially due in June 2019. The third instalment was defined as an earn-out being equal to 50% of the difference between the current purchase price (the first two instalments) and the market value reached at a possible partial future exit. The earn-out could have been in both directions, i.e. either positive or negative.

In April 2019, both shareholders of Home Credit Group B.V. signed an addendum substituting the initially agreed third instalment with an increase in the second instalment by MEUR 50. Therefore, the total consideration for the stake amounts to MEUR 213. The maturity of the second instalment amounting to MEUR 130 has been changed to May 2019. As the addendum was agreed in 2019, the respective increase in purchase price was recorded in the 2019 accounts as follows:

In millions of EUR

Additional consideration	50
Effect recorded in retained earnings (decrease)	(50)

B.2.4. Acquisition of Škoda Transportation (in 2018)

In November 2017, the Group signed an agreement for the acquisition of a 100% stake in Škoda Transportation and other related assets. Škoda Transportation is a group focusing mainly on the development and manufacture of vehicles for public municipal transport and railways. Škoda Transportation’s main products include low-floor trams, electric locomotives, metro trains, suburban train units, trolleybuses, and electric buses, as well as traction engines and complete powertrains for transport systems. The majority of its operations are located in the Czech Republic, but the group also has subsidiaries in Germany, Poland, Hungary, Finland, and the Russian Federation.

The transaction was completed in April 2018, subsequent to the receipt of all necessary regulatory approvals. The following table shows the key non-financial parameters of the transaction:

Transaction date		24 April 2018
Significant entities and stake acquired		
Škoda Transportation a.s.	Czech Republic	100%
Pars nova a.s.	Czech Republic	100%
ŠKODA ELECTRIC a.s.	Czech Republic	100%
ŠKODA VAGONKA a.s.	Czech Republic	100%
Transtech Oy	Finland	100%
Bammer trade a.s.	Czech Republic	100%
Škoda Investment a.s.	Czech Republic	100%
SIBELEKTROPRIVOD LLC	Russia	50%

From the Group's perspective, the acquisition of the Škoda Transportation business is considered a long-term investment that enables better risk diversification by entering new businesses.

During the nine month period ended 31 December 2018, the consolidated group contributed revenue of MEUR 372 and profit of MEUR 9 to the Group´s results. If the acquisition had occurred on 1 January 2018, consolidated revenue would have increased by instead MEUR 113 and profit by MEUR 1.

The following table shows the determination of purchase price:

In millions of EUR

Purchase price (paid in cash)	306
Contingent consideration (maximum amount of deferred earn-out)	59
Fair value of contingent consideration	55
Total purchase price	361

The contingent consideration depends notably on the successful completion of specified projects in progress at the moment of the acquisition.

The Group incurred acquisition-related costs not exceeding MEUR 1 on legal fees and due diligence costs. These costs are included in consulting costs.

In accordance with IFRS 3, the Group initiated a purchase price allocation ("PPA") exercise to identify the fair value of assets and liabilities. The acquired business was identified as one cash-generating unit. Assets and liabilities denominated in foreign currencies were translated using the exchange rate valid as at the acquisition date and subsequently restated to their respective fair values. The difference between the allocated purchase price and the fair values of identified assets and liabilities resulted in the recognition of gain on a bargain purchase.

Key assumptions and valuation approach

As the acquired business is a well-established rail vehicles producer, the key asset categories acquired in the acquisition were fixed assets, work in progress, intellectual property, in-process development reported in the balance sheet, customer relationships, order backlog, and brands additionally identified. Major fixed asset categories reported on the balance sheet are production technology and related equipment, land and buildings, and brand licences.

Since each asset category has different characteristics, different asset valuation methods were used. Based on the nature of the tangible assets, buildings and their continued use, the valuation of all tangible assets except for land used the cost approach. The market approach was used for the valuation of land. Identified customer relationships and order backlog were valued using the multi-period excess earnings method. Any acquired intellectual property and brands were valued using the relief-from royalty approach. It was concluded that the carrying amounts of current and financial assets as well as all assumed liabilities represent their respective fair values.

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

In millions of EUR, as at 24 April 2018

Fair value of assets (excluding goodwill)	**902**
Cash and cash equivalents	42
Financial assets at FVTPL	17
Investment in JV	13
Trade receivables	128
Current tax assets	13
Inventories	123
Contract assets	208
Property, plant and equipment	205
Intangible assets	122
Deferred tax assets	10
Other assets	21
Fair value of liabilities	**520**
Due to banks and other financial institutions	81
Due to non-banks	25
Debt securities issued	92
Subordinated liabilities	36
Trade and other payables	187
Provisions	66
Deferred tax liabilities	33
Fair value of identifiable net assets	**382**

The trade receivables comprise gross contractual amounts due of MEUR 132, of which MEUR 4 was expected to be doubtful at the acquisition date.

Gain on bargain purchase arising from the acquisition has been recognised as follows:

In millions of EUR

Total consideration	361
Fair value of identifiable net assets	382
Net asset value attributable to non-controlling interests	2
Gain on bargain purchase	23

B.2.5. Sale of minority stake in Škoda engineering subgroup (in 2019)

In February 2019, the Group sold a 10% stake in the Škoda engineering subgroup to an entity controlled by Mr Korecký, one of the member of Škoda Transportation's Supervisory Board. Mr Korecký's position remains that of a non-executive.

The following tables summarise the financial aspect of the transaction:

In millions of EUR

Consideration	31
Effective ownership sold	10%
Net asset attributable to non-controlling interest sold	34
Effect recorded in retained earnings (decrease)	(3)

B.2.6. Sale of Russian real estate (in 2018)

In December 2018, the Group sold a 100% share in the Ryazan Shopping Mall project held by Ryazan Shopping Mall Ltd. for a consideration of MEUR 3. Due to the net liability position of the company and the transfer of the related positive translation reserve to profit, the Group recognised a total profit from the sale amounting to MEUR 91. The profit mitigates the revaluation losses of the investment property recognised in previous years and is presented in real estate segment.

B.2.7. Sale of Home Credit Belarus (in 2018)

On 15 June 2018, the Group disposed its investment in Non-banking Credit and Financial Organization "Home Credit" (OJSC).

The following table summarises the financial aspect of the transaction:

In millions of EUR

Consideration	4
Net asset value disposed	(7)
Negative currency translation reserve (reclassified to income statement)	(5)
Net loss on sale	(8)

B.2.8. Acquisition of controlling stake in Cytune Pharma (in 2018)

Since 2015, the Group has held a minority stake in Cytune Pharma SAS, a French company dealing with research and development of new therapies for patients suffering from cancer and infectious diseases.

During July and August 2018, the Group completed the acquisition of a 96% effective stake in Cytune Pharma SAS. Prior to transaction the Group held a 23.94% effective stake. The consideration paid amounted to MEUR 28. The total consideration consists of a contingent deferred payment dependent of the fulfilment of project milestones and future revenues.

The following table summarises the financial aspects of the transaction:

In millions of EUR

Direct stake in the company acquired	75.06%
Effective state in the company acquired	72.06%
Purchase price (paid in cash)	28
FV of investment in associate until the transaction	8
Fair value of assets acquired	3
Fair value of liabilities assumed	2
Non-controlling interests	1
Goodwill	36

In accordance with IFRS 3, the Group performed a purchase price allocation ("PPA") exercise to identify the fair value of assets and liabilities. The acquired business was identified as one cash-generating unit. Consequently, the acquired assets and assumed liabilities of the individual units were restated to their respective fair values. The Group did not identified any significant intangible assets in relation to the company business. The difference between the allocated purchase price and the fair values of identified assets and liabilities resulted in the recognition of goodwill.

B.2.9. Acquisition of Telenor's telecommunications assets in CEE countries (in 2018)

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

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

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

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

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

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

The following table shows the determination of the purchase price:

In millions of EUR

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

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

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

Key assumptions and valuation approach

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

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

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

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

In millions of EUR, as at 31 July 2018

Fair value of assets (excluding goodwill)	**2,084**
Cash and cash equivalents	55
Trade and other receivables	327
Contract assets	55
Inventories	31
Property, plant and equipment	505
Intangible assets	1,082
Other assets	29
Fair value of liabilities	**421**
Due to banks and other financial institutions	26
Deferred tax liabilities	97
Current tax liabilities	7
Trade and other payables	257
Provisions	34
Fair value of identifiable net assets	**1,663**

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

Goodwill arising from the acquisition has been recognised as follows:

In millions of EUR

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

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

B.3. Other changes

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

On 28 January 2016, O2 CR commenced the acquisition of its own shares on the regulated market organised by the Prague Stock Exchange, under the conditions published in connection with the approval of the share buy-back programme on the regulated market in December 2015. Until 31 December 2017, it acquired a total of 8.7 million treasury shares for the total acquisition price of MEUR 86. The aggregate of acquired treasury shares represents 2.8% of the voting rights of O2 CR. During 2018 and 2019, O2 CR did not acquire any new treasury shares.

C. Risk exposures, risk management objectives and procedures

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2018.

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 2019

	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets at amortised cost	873	868	771	-	97
Loans and receivables due from banks and other financial institutions	651	651	7	644	-
Loans due from customers	20,548	20,721	-	1,112	19,609
Trade and other receivables*	1,147	1,202	-	13	1,189
Due to non-banks	(12,853)	(12,893)	-	(8,613)	(4,280)
Due to banks and other financial institutions	(17,226)	(17,220)	-	(959)	(16,261)
Debt securities issued	(3,523)	(3,515)	(1,413)	(1,698)	(404)
Subordinated liabilities	(261)	(261)	-	-	(261)
Trade and other payables**	(2,368)	(2,364)	(6)	(69)	(2,289)

*including cash collateral for payment cards and other financial assets
**excluding tax and other non-financial liabilities

In millions of EUR, as at 31 December 2018

	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets at amortised cost	839	827	749	-	78
Loans and receivables due from banks and other financial institutions	349	349	-	349	-
Loans due from customers	18,803	19,014	-	1,065	17,949
Trade and other receivables*	1,204	1,209	-	14	1,195
Due to non-banks	(11,396)	(11,404)	-	(7,411)	(3,993)
Due to banks and other financial institutions	(18,525)	(18,520)	(64)	(2,922)	(15,534)
Debt securities issued	(2,593)	(2,604)	(1,132)	(1,171)	(301)
Subordinated liabilities	(396)	(377)	(90)	-	(287)
Trade and other payables**	(1,851)	(1,853)	(7)	(50)	(1,796)

*including cash collateral for payment cards and other financial assets
**excluding tax and other non-financial liabilities

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

In millions of EUR, as at 30 June 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	256	236	101	593
Financial assets FVOCI	1,613	160	44	1,817
Financial liabilities at FVTPL	(248)	(310)	(77)	(635)
Total	**1,621**	**86**	**68**	**1,775**

In millions of EUR, as at 31 December 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	225	323	98	646
Financial assets FVOCI	1,678	157	39	1,874
Financial liabilities at FVTPL	(312)	(368)	(81)	(761)
Total	**1,591**	**112**	**56**	**1,759**

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

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

	Financial assets FVTPL	Financial assets FVOCI	Financial liabilities FVTPL	Total
Balance as at 1 January	98	39	(81)	56
Net gains/(losses) recorded in profit or loss (included in net gain/(loss) on financial assets)	4	-	(2)	2
Purchases of financial assets	-	5	-	5
Sales/settlements	-	-	5	5
Effect of movements in exchange rates	(1)	-	1	-
Balance at 30 June 2019	**101**	**44**	**(77)**	**68**

In millions of EUR, for the year ended 31 December 2018

	Financial assets FVTPL	Financial assets FVOCI	Financial liabilities FVTPL	Total
Balance as at 1 January (IAS 39)	-	116	(332)	(216)
Balance as at 1 January (IFRS 9)	-	117	(332)	(215)
Net gains/(losses) recorded in profit or loss (included in net gain/(loss) on financial assets)	-	9	15	24
Net gains/(losses) recorded in other comprehensive income	-	(1)	-	(1)
Purchases of financial assets	-	25	-	25
Sales/settlements	-	(1)	293	292
Additions of financial liabilities	-	-	(2)	(2)
Additions from business combinations	-	-	(55)	(55)
Transfer out of/into Level 3	98	(110)	-	(12)
Balance as at 31 December 2018	**98**	**39**	**(81)**	**56**

No transfers took place between Level 1, 2 and 3 in 2019.

The financial assets at FVTPL presented in Level 3 include notably debt securities. The fair value of debt securities is sensitive to market interest rates.

The financial assets at FVOCI presented in Level 3 consist of equity securities of MEUR 44 (2018: equity securities of MEUR 39). The fair value of equity securities is sensitive to economic developments of the businesses in question.

C.2. Capital management

In 2015, the Group 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 is appointed as a responsible reporting entity for the Group.

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

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

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

The Group and its 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
Financial segment	PPF banka and its subsidiaries	Loans, deposits and other transactions and balances with corporate customers, trading activities	Czech Republic
	Home Credit	Lending to private individual customers, deposit-taking	Czech Republic, Slovakia, Russian Federation, Asia, USA
	Air Bank and its subsidiaries	Deposits, loans and other transactions and balances with retail customers	Czech Republic and Slovakia
	Telenor Banka *(since 2019)*	Deposits, loans and other transactions and balances with retail customers	Serbia
	ClearBank *(associate)*	Clearing and settlement services	United Kingdom
Telecommunications	O2	Telecommunication operator providing a range of voice and data services (CZ), mobile operator (SK)	Czech Republic, Slovakia
	CETIN	Administration and operation of data and communication network	Czech Republic
	Telenor	Mobile operators providing a range of voice and data services	Hungary, Bulgaria, Serbia and Montenegro
Real estate	PPF Real Estate Holding	Developing, investing and professional consulting in the property sector	Central and Western Europe, Russian Federation, Romania
Mechanical engineering	Škoda	Production, development, assembling and repairs of vehicles for public transport	Czech Republic, Eastern Europe, Russian Federation, Finland
Insurance	PPF Insurance	Provision of life insurance products	Russian Federation
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	Russian Federation
	O2 Arena	Operation of multipurpose hall hosting mainly sports and cultural events	Czech Republic
	The Culture Trip *(associate)*	Online publishing and book selling	worldwide
	LEAG *(JV)*	Extraction, processing, refining and sale of lignite, generation of electricity and heat	Germany
	Mall/Heureka *(associate)*	e-commerce and comparison shopping platforms	Central and Eastern Europe

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

	2019	2018
Interest income	2,740	2,274
Fee and commission income	323	430
Net earned premiums	36	35
Net rental and related income	92	81
Telecommunication income	1,506	912
Mechanical engineering income	192	101
Other	3	4
Total revenue from external customers	**4,892**	**3,837**

The following table shows the main items from the financial statements broken down according to reportable segments for the six months ended 30 June 2019 and comparative figures for 2018:

In millions of EUR

30 June 2019	Financial services	Telecommu-nications	Real estate	Insurance	Mechanical engineering	Other	Unallocated	Eliminations	**Consolidated**
Revenue from external customers	3,047	1,516	94	30	193	8	4	-	4,892
Inter-segment revenue	1	2	1	1	-	-	17	(22)	-
Total revenue	**3,048**	**1,518**	**95**	**31**	**193**	**8**	**21**	**(22)**	**4,892**
Segment share of earnings of associates/JVs	(9)	-	(13)	-	3	32	-	-	13
Net profit for the year	**326**	**136**	**48**	**3**	**(6)**	**30**	**38**	**(2)**	**573**
Other significant non-cash expenses	(869)	(35)	(2)	-	-	-	(1)	-	(907)
Segment assets	33,484	8,084	2,305	198	877	941	1,764	(1,426)	46,227
Equity-accounted investees	45	-	61	-	19	907	-	-	1,032
Total assets									**47,259**
Segment liabilities	30,161	6,727	1,487	149	553	504	261	(1,342)	**38,500**
Total liabilities									**38,500**
Segment equity	**3,368**	**1,358**	**879**	**49**	**343**	**1,343**	**1,503**	**(84)**	**8,759**

In millions of EUR

30 June 2018	Financial services	Telecommun-ications	Real estate	Insurance	Mechanical engineering	Other	Unallocated	Eliminations	**Consolidated**
Revenue from external customers	2,701	912	81	28	103	7	4	-	3,836
Inter-segment revenue	2	4	1	1	-	-	15	(23)	-
Total revenue	**2,703**	**916**	**82**	**29**	**103**	**7**	**19**	**(23)**	**3,836**
Segment share of earnings of associates/JVs	(7)	-	11	-	2	12	-	-	18
Net profit for the year	**93**	**108**	**(23)**	**2**	**6**	**6**	**21**	**7**	**220**
Other significant non-cash expenses	(990)	(5)	(14)	-	-	-	(2)		(1,011)
31 December 2018									
Segment assets	32,272	7,580	1,950	165	901	620	1,701	(1,025)	44,164
Equity-accounted investees	44	1	57	-	14	804	-	-	920
Total assets									**45,084**
Segment liabilities	29,346	6,029	1,294	127	575	379	374	(940)	**37,184**
Total liabilities									**37,184**
Segment equity	**2,970**	**1,552**	**713**	**38**	**340**	**1,045**	**1,327**	**(85)**	**7,900**

D.1. Financial services segment

In 2018, the Group decided to change the detailed presentation of this segment from a mixture of sector and geographical views to the sector view. The comparative figures has been amended accordingly.

The Home Credit Group newly reports on one global consumer lending segment where all information about similar products, services, and customers is presented. This approach suits the global business strategy of having a similar approach to customers, a unique and unified product portfolio, as well as centralised processes that drive operational excellence. The Group also presents additional information for revenue and net interest income based on the division of the countries into four geographic clusters. The Home Credit Group operates in the following principal geographical areas: China, the Russian Federation, the Czech Republic, Vietnam, Kazakhstan, Slovakia, India, Indonesia, the Philippines, and the USA. The Russian and Kazakh Home Credit businesses and Air Bank operate under banking licences allowing for the collection of deposits.

The following table shows the main items from the financial statements broken down according to reportable segments for the six months ended 30 June 2019 and comparative figures for 2018:

In millions of EUR

30 June 2019	Corporate banking	Consumer lending						Retail banking	Unallocated	Eliminations	**Consolidated**
			China	*CIS**	*SEA*	*CEE*	*Other*				
Revenue from customers	89	2,953	1,848	467	503	125	10	4	2	-	3,048
Inter-segment revenue	29	1	-	-	-	1	-	-	15	(45)	-
Total revenue	**118**	**2,954**	**1,848**	**467**	**503**	**126**	**10**	**4**	**17**	**(45)**	**3,048**
Net interest income from external customers	50	1,846	1,146	267	349	95	(11)	2	(2)	-	1,896
Inter-segment net interest income	29	(42)	-	(2)	(24)	1	(17)	-	15	(2)	-
Total net interest income	**79**	**1,804**	**1,146**	**265**	**325**	**96**	**(28)**	**2**	**13**	**(2)**	**1,896**
Net profit for the year	**42**	**236**						**(1)**	**50**	**(1)**	**326**
Other significant non-cash expenses	3	(871)						-	(1)	-	(869)
Segment assets (incl. equity accounted investees)	8,335	25,817						173	608	(1,404)	33,529
Segment liabilities	7,803	23,374						131	257	(1,404)	30,161
Segment equity	**532**	**2,443**						**42**	**351**	**-**	**3,368**

*CIS – Commonwealth of Independent States, SEA – South East Asia, CEE – Central and Eastern Europe

In millions of EUR

30 June 2018	Corporate banking	Consumer lending						Unallocated	Eliminations	**Consolidated**
			China	*CIS**	*SEA*	*CEE*	*Other*			
Revenue from customers	61	2,635	1,692	446	384	108	5	7	-	2.703
Inter-segment revenue	18	(1)	-	-	-	(1)	-	-	(17)	-
Total revenue	**79**	**2,634**	**1,692**	**446**	**384**	**107**	**5**	**7**	**(17)**	**2,703**
Net interest income from external customers	46	1,560	979	241	273	82	(15)	4	-	1,610
Inter-segment net interest income	17	(19)	-	(1)	(16)	(1)	(1)	-	2	-
Total net interest income	**63**	**1,541**	**979**	**240**	**257**	**81**	**(16)**	**4**	**-**	**1,610**
Net profit for the year	**55**	**44**						**(6)**	**-**	**93**
Other significant non-cash expenses	(1)	991						-	-	990
31 December 2018										
Segment assets (incl. equity accounted investees)	9,144	23,593						734	(1,155)	32,316
Segment liabilities	8,675	21,492						335	(1,156)	29,346
Segment equity	**469**	**2,101**						**399**	**1**	**2,970**

*CIS – Commonwealth of Independent States, SEA – South East Asia, CEE – Central and Eastern Europe

D.2. Telecommunication segment

The telecommunication segment is represented by O2 CR and CETIN, and, since July 2018, also Telenor. O2 CR is further divided into two geographical segments corresponding to the geographical location of customers. The Telenor businesses are split into three segments based on the geographical location of customers. The Telenor Serbia and Montenegro segment comprises two individual businesses units with a common management and business strategy.

In 2018, the Group decided to change the presentation of this segment and include all related acquisition financing. It is hence represented by the amount of total liabilities in the unallocated segment. Comparative figures have been amended accordingly with no financial impact.

In millions of EUR

30 June 2019	CETIN	O2 Czech Republic	O2 Slovak Republic	Telenor Hungary	Telenor Bulgaria	Telenor Serbia & MNE	Unallocated segment	Eliminations	**Consolidated**
Revenue from external customers	143	592	143	254	182	196	8	-	1,518
Inter-segment revenue	205	11	3	1	2	4	15	(241)	-
Total revenue	**348**	**603**	**146**	**255**	**184**	**200**	23	**(241)**	**1,518**
EBITDA	**163**	**178**	**59**	**104**	**87**	**83**	8	**-**	**682**
Profit for the period	**57**	**57**	**20**	**31**	**37**	**34**	(106)	**6**	**136**
Other significant non-cash expenses	(1)	(3)	(2)	(1)	(1)	(4)	(23)	-	(35)
Segment assets	2,406	2,275	567	1,218	846	1,096	470	(794)	8,084
Equity-accounted investees	-	-	-	-	-	-	-	-	-
Segment liabilities	1,553	1,282	281	292	186	237	3,452	(556)	6,727
Segment equity	**853**	**993**	**286**	**926**	**660**	**859**	**(2,981)**	**(238)**	**1,358**

In millions of EUR

30 June 2018	CETIN	O2 Czech Republic	O2 Slovak Republic	Telenor Hungary*	Telenor Bulgaria*	Telenor Serbia & MNE*	Unallocated segment	Eliminations	**Consolidated**
Revenue from external customers	192	585	139	-	-	-	-	-	916
Inter-segment revenue	200	11	2	-	-	-	-	(213)	-
Total revenue	**392**	**596**	**141**	**-**	**-**	**-**	**-**	**(213)**	**916**
EBITDA	**146**	**160**	**52**	**-**	**-**	**-**	**(2)**	**-**	**356**
Profit for the period	**48**	**64**	**16**	**-**	**-**	**-**	**(20)**	**-**	**108**
Other significant non-cash expenses	(1)	(3)	(1)	-	-	-	-	-	(5)
31 December 2018									
Segment assets	2,238	1,890	517	1,237	807	1,038	177	(367)	7,537
Equity-accounted investees	-	1	-	-	-	-	-	-	1
Segment liabilities	1,352	772	195	132	112	143	2,797	(129)	5,374
Segment equity	**886**	**1,118**	**322**	**1,105**	**695**	**895**	**(2,620)**	**(238)**	**2,163**

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

E. Notes to the consolidated financial statements

E.1. Cash and cash equivalents

Cash and cash equivalents comprise the following:

In millions of EUR

	30 June 2019	31 December 2018
Cash on hand	122	153
Current accounts	2,292	1,910
Balances with central banks	198	204
Reverse repo operations with central banks	6,474	7,800
Placements with financial institutions due within one month	136	53
Total cash and cash equivalents	**9,222**	**10,120**

As of 30 June 2019, cash and cash equivalents amounting to MEUR 1,132 (2018: MEUR 792) 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 2019	31 December 2018
Financial assets at fair value through profit or loss	593	646
Financial assets at amortised cost	873	839
Financial assets at FVOCI	1,817	1,874
Total financial securities	**3,283**	**3,359**

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

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

In millions of EUR

	30 June 2019	31 December 2018
Government and other public-sector bonds	251	343
Corporate bonds	8	52
Other debt securities	101	97
Equity securities	10	-
Positive fair value of trading derivatives	211	146
Positive fair value of hedging derivatives	12	8
Total financial assets at FVTPL	**593**	**646**

As of 30 June 2019, the category comprises MEUR 100 of other debt securities not held for trading (2018: MEUR 97). In 2018, the government bonds amounting to MEUR 173 were also classified as not held for trading (2019: nil).

E.2.2. Financial assets at amortised cost

Financial assets at amortised cost/held to maturity comprise the following:

In millions of EUR, as at 30 June 2019

	Gross amount	Amortised cost
Government bonds	789	789
Corporate bonds	84	84
Total financial assets at amortised cost	**873**	**873**

In millions of EUR, as at 31 December 2018

	Gross amount	Amortised cost
Government bonds	761	761
Corporate bonds	78	78
Total financial assets at amortised cost	**839**	**839**

E.2.3. Financial assets at FVOCI

Financial assets at FVOCI comprise the following:

In millions of EUR

	30 June 2019	31 December 2018
Debt securities	1,177	1,280
Government bonds	635	763
Corporate bonds	542	517
Equity securities	640	594
Shares	640	572
Mutual funds investments	-	22
Total financial assets at FVOCI	**1,817**	**1,874**

As of 30 June 2019, the Group holds 51.7 million shares in Polymetal Plc. (2018: 54.6 million). The fair value amounted to MEUR 575 and a revaluation gain of MEUR 102 was recognised in equity in 2019 (2018: a fair value of MEUR 502). During 2019 the Group sold part of these shares. The shares are listed on the London Stock Exchange and classify as Level 1 from fair value determination perspective.

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 2019	31 December 2018
Gross amount	657	349
Allowance for impairment	(6)	-
Total carrying amount	**651**	**349**
Loans and advances provided under repos	263	64
Minimum reserve deposits with central banks	195	134
Term deposits at banks	58	16
Cash collateral for derivative instruments	81	74
Loans to banks	3	54
Other	51	7

The minimum reserve deposits are mandatory non-interest-bearing deposits with restricted withdrawals, maintained in accordance with regulations issued by central banks in countries in which the Group's banking entities operate.

E.4. Loans due from customers

Loans due from customers comprise the following items:

In millions of EUR

	30 June 2019	31 December 2018
Loans due from customers - retail		
Gross amount	21,173	19,435
Allowance for impairment	(2,146)	(2,090)
Loans due from customers – retail (carrying amounts)	**19,027**	**17,345**
Loans due from customers – non-retail		
Gross amount	1,581	1,542
Allowance for impairment	(60)	(84)
Loans due from customers – non-retail (carrying amounts)	**1,521**	**1,458**
Total loans due from customers (carrying amounts)	**20,548**	**18,803**

In millions of EUR

	30 June 2019	31 December 2018
Cash loan	13,452	11,940
Consumer loan	4,597	4,559
Revolving loan	627	529
Car loan	123	110
Mortgage loan	228	207
Loans due from customers – retail (carrying amounts)	**19,027**	**17,345**
Loans to corporations	1,394	1,299
Loans to equity-accounted investees	106	143
Loans and advances provided under repo operations	16	15
Other	5	1
Loans due from customers – non-retail (carrying amounts)	**1,521**	**1,458**
Total loans due from customers (carrying amounts)	**20,548**	**18,803**

E.5. Trade and other receivables, contract balances

Trade and other receivables and contract assets comprise the following:

In millions of EUR

	30 June 2019	31 December 2018
Gross amount	852	920
Trade receivables	808	876
Accrued income	44	44
Individual impairment	(65)	(50)
Total carrying amount	**787**	**870**
Gross amount	297	277
Individual impairment	-	-
Total contract assets	**297**	**277**

Contract assets and contract liabilities

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

In millions of EUR

	30 June 2019	31 December 2018
Receivables, which are included in "trade and other receivables"	63	81
Contract assets	**297**	**277**
out of which:		
Contract assets (mechanical engineering)	219	197
Contract assets (telecommunication)	78	80
Contract liabilities	**(218)**	**(208)**
out of which:		
Contract liabilities (mechanical engineering)	(116)	(118)
Contract liabilities (telecommunication)	(102)	(90)

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

Contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date on mechanical engineering contracts. The contract assets are transferred to receivables when the rights become unconditional. For the telecommunication segment, contract assets relate to rights to consideration in exchange for goods or services that the Group has already transferred to customers but not yet invoiced. These in particular include contracts with customers where the supply of telecommunication services is supplemented by the sale of subsidised telecommunication equipment. A contract asset arises from the reallocation of revenues under a customer contract from telecommunication services provided and recognised during the life of the contract to the revenues from the sale of such subsidised equipment, which is recognised at the time of sale.

Contract liabilities primarily relate to the advances received from customers for engineering contracts, for which revenue is recognised when the Group is able to reliably measure the progress in the completion of the contracts. The Group applies the input method. A contract liability in the telecommunication segment is the Group's obligation to deliver goods or to provide services for which the Group has received consideration from the customer. Contract liabilities include mostly telecommunication services prepaid by customers on prepaid cards. These revenues are recognised when the voice or data traffic takes place, or when other services are provided, or when the card associated with the prepaid credit expires. Contract liabilities also arise when activation fees are invoiced upon the conclusion of a new contract that is not a stand-alone performance obligation, and are thus accrued over the term of the contract with the customer.

E.6. Inventories

Inventories comprise the following:

In millions of EUR

	30 June 2019	31 December 2018
Mechanical engineering inventories	112	108
Goods/merchandise for resale	79	75
Trading property	7	6
Agricultural inventories	3	4
Total inventories	**201**	**193**

E.7. Equity-accounted investees

The following table shows the breakdown of individual equity-accounted investees (comprising associates and joint-ventures):

In millions of EUR

	30 June 2019	31 December 2018
LEAG	803	717
Metropolis (Russia)	60	54
Mall Group	70	60
The Culture Trip	24	21
ClearBank	20	17
Other	55	51
Total equity-accounted investees	**1,032**	**920**

The following table shows the breakdown of the share of earnings of equity-accounted investees:

In millions of EUR

	30 June 2019	30 June 2018
LEAG	57	33
Metropolis (Russia)	(12)	11
Mall Group	(15)	(15)
The Culture Trip	(10)	(6)
ClearBank	(8)	(8)
Other	1	3
Total share of profit/(loss) in equity-accounted investees	**13**	**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 2019	31 December 2018
Percentage ownership interest	**50.00%**	**50.00%**
Non-current assets	3,169	3,015
Current assets	3,422	3,402
Non-current liabilities	(3,207)	(2,715)
Current liabilities	(1,778)	(2,268)
Net assets (100%)	1,606	1,434
Carrying amount of investment in JV (50.00%)	**803**	**717**
	30 June 2019	30 June 2018
Total net profit/(loss) for the period (100%)	114	66
Total share in profit/(loss) (50.00%)	**57**	**33**
Total other comprehensive income/(expense) for the period (100%)	58	520
Group's share of other comprehensive income/(expense) (50%)	29	260

Other comprehensive income comprise a cash flow hedge effect related to the forward contracts for CO_2 emission rights. The hedging instruments are commodity derivatives designed to hedge the purchase price for future purchases of emission rights. The significant gain in 2018 was caused by the change of the accounting treatment in LEAG and the significant increase in emission rights prices at that period.

Metropolis (Russia)

In July 2015, the Group acquired a 49.99% stake in entities holding two up-and-running Moscow office buildings. In 2019, due to the positive development of roubles exchange rate, the project made a revaluation loss compensated by a translation gain (100 %) of MEUR 37 (first half of 2018: MEUR 16 loss), recorded directly in equity.

In millions of EUR

	30 June 2019	31 December 2018
Percentage ownership interest	**49.99%**	**49.99%**
Non-current assets	378	378
Current assets	14	8
Non-current liabilities	(256)	(240)
Current liabilities	(16)	(37)
Net assets (100%)	120	109
Carrying amount of investment in associate (49.99%)	**60**	**54**
	30 June 2019	30 June 2018
Total net profit/(loss) for the period (100%)	(24)	23
Total share in profit/(loss) (49.99%)	**(12)**	**11**

Mall Group

In October 2017, the Group acquired a 40% stake in Mall Group a.s. The investment comprises Mall and Heureka, representing an e-commerce platform in Central and Eastern Europe and a comparison shopping platform in the Czech Republic and Slovakia. The following table presents performance of Mall Group:

In millions of EUR

	30 June 2019	31 December 2018
Percentage ownership interest	**40%**	**40%**
Non-current assets	204	171
Current assets	154	194
Non-current liabilities	(218)	(208)
Current liabilities	(183)	(223)
Net assets (100%)	(43)	(66)
Group’s share of net assets (40%)	(17)	(26)
Goodwill included in carrying amount	87	86
Carrying amount of investment in associate (40%)	**70**	**60**
	30 June 2019	30 June 2018
Total net profit/(loss) for the period (100%)	(38)	(37)
Total share in profit/(loss) (40%)	**(15)**	**(15)**

The Culture Trip

The Culture Trip Ltd., a UK start-up company dealing with online publishing and book selling, was acquired in June 2016. As of 30 June 2019, the Group holds a 43.69% share with a net asset value of MEUR 12 (2018: MEUR 6).

<u>ClearBank</u>

ClearBank is a newly established UK bank that has been providing clearing and settlement services since 2017. As of 30 June 2019, the Group holds a 38.53% share (2018: 37.70%) with a net asset value of MEUR 49 (2018: MEUR 41).

E.8. Investment property

Investment property comprises projects located in the Russian Federation, the Czech Republic, the Netherlands, Germany, Romania and the UK, consist mainly of completed and rented office premises, buildings, warehouses and shopping malls.

The following table shows the breakdown of investment property by category and country:

In millions of EUR, as at 30 June 2019

	Russian Federation	Czech Republic	Netherlands	Germany	Romania	UK	Total
Land plot	132	-	-	-	-	-	132
Office	432	82	337	120	95	121	1,187
Warehouse	316	-	-	-	-	-	316
Retail	303	26	29	-	-	-	358
Residential	-	22	-	-	-	19	41
Other	11	-	-	-	-	-	11
Total investment property	**1,194**	**130**	**366**	**120**	**95**	**140**	**2,045**

In millions of EUR, as at 31 December 2018

	Russian Federation	Czech Republic	Netherlands	Germany	Romania	UK	Total
Land plot	123	-	-	-	-	-	123
Office	409	83	317	120	97	121	1,147
Warehouse	284	-	-	-	-	-	284
Retail	85	28	29	-	-	-	142
Residential	-	19	-	-	-	18	37
Other	10	-	-	-	-	-	10
Total investment property	**911**	**130**	**346**	**120**	**97**	**139**	**1,743**

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

In millions of EUR

	30 June 2019	31 December 2018
Balance as at 1 January	1,743	1,474
Additions resulting from business combination	202	309
Disposals resulting from business combination	-	(15)
Additions - capitalised costs	4	28
Disposals	-	(2)
Unrealised gains from investment property	32	76
Unrealised losses from investment property	(18)	(49)
Effect of movements in exchange rates	82	(78)
Total balance	**2,045**	**1,743**

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 / Residual approach
Russia	office	Income approach
Russia	warehouse	Income approach
Romania	Office	Income approach
All locations	land	Sales comparison

E.9. Property, plant and equipment

E.9.1. Property, plant and equipment

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

In millions of EUR

30 June 2019	Land and buildings	Ducts, cables and related plant	Telecom technology and related equipment	Other tangible assets and equipment	Construction in progress	ROU	**Total**
Cost	917	1,745	1,107	649	158	741	5,317
Accumulated depreciation and impairment	(189)	(420)	(470)	(330)	(1)	(68)	(1,478)
Total PPE	**728**	**1,325**	**637**	**319**	**157**	**673**	**3,839**

In millions of EUR

31 December 2018	Land and buildings	Ducts, cables and related plant	Telecom technology and related equipment	Other tangible assets and equipment	Construction in progress	**Total**
Cost	859	1,706	1,042	622	154	4,383
Accumulated depreciation and impairment	(171)	(381)	(387)	(285)	(1)	(1,225)
Total PPE	**688**	**1,325**	**655**	**337**	**153**	**3,158**

E.10. Intangible assets and goodwill

E.10.1. Goodwill

The following table shows the roll-forward of goodwill:

In millions of EUR, for the year ended 31 December

	30 June 2019	31 December 2018
Balance as at 1 January	1,648	569
Additions from business combination	18	1,086
Impairment losses recognised	(2)	(1)
Effect of movements in exchange rates	2	(6)
Total balance	**1,666**	**1,648**

Goodwill is allocated to individual CGUs as follows:

In millions of EUR, as at 31 December

	30 June 2019	31 December 2018
O2 CR – Czech operations	400	396
O2 CR – Slovak operations	40	40
CETIN	111	108
Telenor Hungary	431	435
Telenor Bulgaria	219	219
Telenor Serbia	367	369
Telenor Montenegro	42	42
Other	56	39
Total goodwill	**1,666**	**1,648**

E.10.2. Intangible assets

Intangible assets comprise the following:

In millions of EUR

30 June 2019`	Software	Licences	Customer relationships	IPRD	Trademarks	Other intangible assets	Not in use	**Total**
Cost	1,127	794	1,334	315	263	102	76	4,011
Accumulated amortisation and impairment	(603)	(224)	(373)	(24)	(141)	(26)	-	(1,391)
Total intangible assets	**524**	**570**	**961**	**291**	**122**	**76**	**76**	**2,620**

In millions of EUR

31 December 2018	Software	Licences	Customer relationships	IPRD	Trademarks	Other intangible assets	Not in use	**Total**
Cost	1,035	790	1,327	307	267	93	28	3,847
Accumulated amortisation and impairment	(517)	(182)	(309)	(20)	(129)	(17)	-	(1,174)
Total intangible assets	**518**	**608**	**1,018**	**287**	**138**	**76**	**28**	**2,673**

E.11. Other assets

Other assets comprise the following:

In millions of EUR

	30 June 2019	31 December 2018
Prepaid expenses and advances	205	191
Other settlement accounts	86	44
Cash collateral for payment cards	62	57
Cost to obtain or fulfil the contract	51	48
Other tax receivable	29	23
Biological assets	13	4
Insurance related other assets	5	4
Assets held for sale	4	4
Other	75	101
Subtotal other assets (gross)	**530**	**476**
Individual allowances for impairment	(2)	(1)
Prepaid expenses and advances	(1)	(1)
Other	(1)	-
Total other assets (net)	**528**	**475**

E.12. Liabilities to non-banks

Liabilities to non-banks comprise the following:

In millions of EUR

	30 June 2019	31 December 2018
Current accounts and demand deposits	7,026	6,394
Term deposits	3,703	3,235
Loans	25	23
Loans received under repos	2,097	1,743
Other	2	1
Total liabilities to non-banks	**12,853**	**11,396**

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

E.13. Liabilities to banks and other financial institutions

Liabilities to banks and other financial institutions comprise the following:

In millions of EUR

	30 June 2019	31 December 2018
Repayable on demand	9	12
Loans received under repos	703	2,844
Secured loans (other than repos)	10,597	10,932
Unsecured loans	5,844	4,631
Other	73	105
Total liabilities to banks	**17,226**	**18,525**

Secured loans include the following significant loan facilities related to the acquisition of Telenor assets:

In March 2018, PPF Arena 1 B.V. consolidating the telecommunication segment entered into a facilities agreement with a syndicate of banks. In July 2018, under this agreement, the Group utilised four secured term loan facilities amounting to MEUR 882, MEUR 1,514, MCZK 3,745 and MCZK 6,427 (MEUR 2,792 in total), respectively. In March 2019, the secured term loan facilities were restructured and partially refinanced by Euro medium term notes issued by PPF Arena 1 B.V. in the total amount of MEUR 550. As at 30 June 2019, the outstanding amounts of the secured term loan facilities were MEUR 1,925 and MCZK 8,323. The actual amount of outstanding secured loan liabilities stated in the table above is lower by unamortised facility and legal fees directly attributable to the origination of the loan facilities. These fees were capitalised and are amortised to finance costs using the effective interest rate method. As at 30 June 2019 and 31 December 2018, a committed revolving facility of MEUR 200 has not been utilised. The facilities are secured *inter allia* by pledges over all shares of PPF Arena 1 B.V., PPF TMT Bidco 1 B.V., PPF Telco B.V., PPF Infrastructure B.V. and the Telenor operating entities. As at 30 June 2019 and 31 December 2018, the Group complied with the financial covenants imposed by its loan facilities.

E.14. Debt securities issued

Debt securities issued relate to bonds issued, certificates of deposit, asset-backed security issues and promissory notes except for subordinated items.

The maturities of the debt securities are as follows:

In millions of EUR, as at 31 December

	30 June 2019	31 December 2018
Fixed rate debt securities	**3,348**	**2,497**
Within 1 year	1,300	1,114
1-2 years	575	320
2-3 years	720	861
3-4 years	22	14
4-5 years	191	188
More than 5 years	540	-
Variable rate debt securities	**175**	**96**
Within 1 years	50	62
1-2 years	67	28
2-3 years	58	6
Total debt securities issued	**3,523**	**2,593**

As at 30 June 2019, debt securities issued of MEUR 1,487 (2018: MEUR 896) were secured by cash and cash equivalents of MEUR 380 (2018: MEUR 341), cash loan receivables amounting to MEUR 49 (2018: nil) and consumer loan receivables of MEUR 1,504 (2018: MEUR 839).

E.15. Subordinated liabilities

Subordinated liabilities comprise the following:

In millions of EUR

	Interest rate	Maturity	30 June 2019	31 December 2018
Loan participation notes issue 8 of MUSD 200	Fixed	2021	-	88
Loan (Sprint eBusiness) MUSD 7	Variable	2023	7	7
Bond issue of MCZK 2,000	Fixed	2024	-	53
Bond issue of MCZK 4,000	Fixed	2027	160	155
Bond issue of MEUR 92	Fixes	2028	94	93
Total subordinated liabilities			**261**	**396**

Subordinated loan participation notes issue 8 was made in October 2013. The Group used an early redemption option exercisable on 17 April 2019 (the reset date).

The bond issue of MCZK 2,000 was issued in April 2014. The Group used an early redemption option exercisable on 30 April 2019.

The bond issue of MCZK 4,000 was issued in December 2017. The interest rate is determined as a fixed rate for the first two years; subsequently it is changed to a floating rate. The Group has an early redemption option exercisable on or after 18 December 2022.

Bonds of MEUR 92 were issued in September 2018. The Company has an early redemption option exercisable in September 2023.

E.16. Trade and other payables

Trade and other payables comprise the following:

In millions of EUR

	30 June 2019	31 December 2018
Settlements with suppliers	776	933
Wages and salaries	139	178
Lease liabilities	664	-
Social security and health insurance	32	32
Other taxes payable	95	141
Accrued expenses	177	201
Deferred income	40	49
Advance received	34	41
Customer loan overpayments	76	53
Blocked accounts	195	193
Deferred payment for Telenor acquisition	411	405
Other	107	89
Total trade and other payables	**2,746**	**2,315**

The “blocked accounts” category comes from PPF banka and consists chiefly of collateral deposits for derivatives totalling MEUR 161 (2018: MEUR 154). Significant increase of the category “Lease liability” is caused by adoption of new standard IFRS 16 (refer to F.1.1.).

E.17. Provisions

Provisions comprise the following:

In millions of EUR

	30 June 2019	31 December 2018
Insurance provisions	174	150
Warranty provisions	24	24
Provision for litigation except for tax-related litigation	11	13
Provision for onerous contracts	6	11
Provisions for insurance commissions return	10	8
Provisions for expected credit losses from loan commitments and financial guarantees	3	2
Provisions for asset retirement obligations	43	34
Provision for restructuring	3	2
Other provisions	42	35
Total provisions	**316**	**279**

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

E.17.1. Insurance provisions

Insurance provisions comprise the following:

In millions of EUR

	30 June 2019	31 December 2018
Non-life insurance provisions	35	32
Provisions for unearned premiums	34	31
Provisions for outstanding claims	1	1
RBNS provisions	1	1
Life insurance provisions	139	118
Provisions for outstanding claims	4	3
Mathematical provisions	126	107
Provisions for profit participation allocated to policyholders	8	8
Other	1	-
Total insurance provisions	**174**	**150**

E.18. Capital issued and share premium

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 2019	31 December 2018
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.

As of 30 June 2019 share premium representing the excess received by the Parent Company over the par value of its share amounted to MEUR 677 (2018: MEUR 677).

E.19. Other reserves

E.19.1. Hedging reserve

The hedging reserve represents mainly a cash flow hedge effect related to the forward contracts for CO_2 emission rights recognised in other comprehensive income by the Group's joint venture LEAG. The significant gain in 2018 was caused by the significant increase in emission rights prices. For the period ending 30 June 2019, the Group recognised its share on this effect in other comprehensive income amounting to MEUR 30 (30 June 2018: MEUR 255).

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	2019/2018	Czech Republic
Home Credit Group B.V. (subgroup)**	HC	2019/2018	Netherlands
PPF banka, a.s.	PPFB	2019/2018	Czech Republic
Velthemia Ltd. (subgroup)	VELT	2019/2018	Cyprus
Home Credit Indonesia PT	HCID	2019/2018	Indonesia
PPF Beer Topholdco B.V.	MECH	2019	Czech Republic

*For place of business refer to B.1.
**Home Credit B.V. was contributed to Home Credit Group B.V. in May 2018

The following table summarises the information relating to these subsidiaries:

In millions of EUR

30 June 2019	O2 CR	HC	PPFB	VELT	HCID	MECH	Other	**Total**
NCI percentage (ownership)	**16.60%**	**8.88%**	**7.04%**	**39.93%**	**22.55%**	**10%**		
Total assets	2,034	25,882	8,335	268	354	896		
Total liabilities	(1,434)	(23,373)	(7,803)	(153)	(283)	(551)		
Net assets	**600**	**2,509**	**532**	**115**	**71**	**345**		
Net assets attributable to NCI of the sub-group	-	(20)	-	-	-	-		
Net assets attributable to owners of the Parent	**600**	**2,489**	**532**	**115**	**71**	**345**		
Carrying amount of NCI	100	221	37	46	12	35	18	**469**
NCI percentage during the period	**16.60%**	**8.88%**	**7.04%**	**39.93%**	**22.55%**	**10%**		
Profit/(loss)	77	261	43	19	4	(6)		
Other comprehensive income	(2)	108	26	-	-	-		
Total comprehensive income	75	369	69	19	4	(6)		
Profit/(loss) allocated to NCI	13	23	3	8	-	(1)	(10)	**36**
OCI allocated to NCI							10	**10**

In millions of EUR

31 December 2018	O2 CR	HC	PPFB	VELT	HCID	Other	**Total**
NCI percentage (ownership)	**16.60%**	**8.88%**	**7.04%**	**39.93%**	**22.55%**		
Total assets	1,661	23,647	9,622	248	276		
Total liabilities	(894)	(21,492)	(9,149)	(150)	(227)		
Net assets	**767**	**2,155**	**473**	**98**	**49**		
Net assets attributable to NCI of the sub-group	-	(17)	-	-	-		
Net assets attributable to owners of the Parent	**767**	**2,138**	**473**	**98**	**49**		
Carrying amount of NCI	127	190	33	39	7	19	**415**

In millions of EUR

30 June 2018	O2 CR	HC	PPFB	VELT	HCID	Other	**Total**
NCI percentage during the period	**16.60%**	**11.38%**	**7.04%**	**39.93%**	**24.67%**		
Profit/(loss)	78	48	58	(3)	5		
Other comprehensive income	-	(26)	(32)	-	-		
Total comprehensive income	78	22	26	(3)	5		
Profit/(loss) allocated to NCI	13	5	4	(1)	1	(13)	**9**
OCI allocated to NCI	-	(4)	(2)	-	-	(1)	**(7)**

The carrying amount of non-controlling interest in HCID and the profit allocated to non-controlling interest is presented from Home Credit Group's ownership perspective. The effective non-controlling interest portion in HCID, i.e. from PPF Group's ownership perspective, is presented within the carrying amount of non-controlling interest in HC as well as the relevant profit allocated to non-controlling interest.

E.21. Net interest income

Interest income comprises the following:

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

	2019	2018
Financial instruments at FVTPL	8	8
Financial assets at FVOCI	28	33
Financial instruments at amortised cost	6	4
Due from banks and other financial institutions	85	42
Cash loan receivables	1,989	1,633
Consumer loan receivables	505	448
Revolving loan receivables	58	54
Car loan receivables	11	9
Mortgage loan receivables	3	2
Loans to corporations	37	41
Other	10	-
Total interest income	**2,740**	**2,274**

Interest expense comprises the following:

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

	2019	2018
Due to customers	132	119
Due to banks and other financial institutions	683	509
Debt securities issued	77	44
Subordinated liabilities	10	12
Lease liabilities	12	-
Other	20	3
Total interest expenses	**934**	**687**
Total net interest income	**1,806**	**1,587**

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

	2019	2018
Insurance commissions	176	290
Penalty fees	63	84
Cash transactions	17	13
Customer payment processing and account maintenance	26	21
Retailers’ commissions	9	6
Other	32	16
Total fee and commission income	**323**	**430**

Fee and commission expense comprises the following:

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

	2019	2018
Commissions to retailers	11	10
Cash transactions	14	13
Payment processing and account maintenance	29	23
Payments to deposit insurance agencies	20	16
Credit and other register expense	19	19
Other	6	6
Total fee and commission expense	**99**	**87**
Total net fee and commission income	**224**	**343**

E.23. Net gain/loss on financial assets

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

	2019	2018
Net trading income/(expense)	(37)	58
Debt securities trading	27	14
FX trading	11	(17)
Derivatives	(75)	61
Net gains/(losses) on financial assets/liabilities at FVTPL not held for trading	(2)	(4)
Net realised losses on financial assets at amortised cost	5	(2)
Loans to receivables	2	-
Net realised gains on FVOCI	-	12
Dividends	16	15
Other expense from financial assets	(2)	-
Total net gain on financial assets	**(18)**	**79**

E.24. Net impairment losses on financial assets

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

	2019	2018
Cash loan receivables	741	724
Consumer loan receivables	114	256
Revolving loan receivables	6	5
Mortgage loan receivables	(1)	(1)
Due from banks and other financial institutions	2	-
Loans to corporations	6	6
Trade and other receivables	9	5
Financial assets at FVOCI	-	1
Undrawn credit limit	1	(1)
Total net impairment losses on financial assets	**878**	**995**

E.25. Net insurance income

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

	Non-life	Life	Total
Gross earned premium	11	25	36
Net insurance benefits and claims	-	(15)	(15)
Acquisition cost	(2)	(6)	(8)
Total insurance income	**9**	**4**	**13**

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

	Non-life	Life	Total
Gross earned premium	13	22	35
Net insurance benefits and claims	-	(13)	(13)
Acquisition cost	(3)	(6)	(9)
Total insurance income	**10**	**3**	**13**

E.26. Net rental and related income

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

	2019	2018
Gross rental income	77	68
Service income	8	7
Service charge income	17	13
Service charge expense	(10)	(7)
Total net rental and related income	**92**	**81**

E.27. Net telecommunication income

E.27.1. Revenue from telco business – major lines of business

Telecommunication income comprises the following:

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

	2019	2018
Mobile originated revenues:	1,143	520
Fixed originated revenues:	208	202
International transit revenues	102	156
Other wholesale revenues	47	34
Other sales (other than IFRS 15)	6	-
Revenues from telecommunication business	**1,506**	**912**
out of which:		
Services/products transferred over time	1,315	844
Services/products transferred at a point in time	191	68
Supplies	302	256
Cost of goods sold	175	61
Commissions	15	12
Costs related to telecommunication business	**492**	**329**
Net telecommunication revenues	**1,014**	**583**

E.27.2. Revenues from telco business – geographical markets

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

In millions of EUR, for six months ended 30 June

	2019	2018
Services/products transferred over time	1,315	844
Czech Republic	583	577
Slovakia	123	124
Germany	12	27
Switzerland	5	22
Hungary	209	-
Bulgaria	119	-
Serbia & Montenegro	170	-
Other	94	94
Services/products transferred at a point in time	191	68
Czech Republic	41	43
Slovakia	26	25
Hungary	37	-
Bulgaria	60	-
Other	27	-

The significant increase in the revenue results from the acquisition of Telenor entities in July 2018 (notably Hungary, Bulgaria, Serbia and Montenegro), for more details refer to section B.2.9.

E.28. Net mechanical engineering income

E.28.1. Revenues from mechanical engineering business – major lines of business

Mechanical engineering income comprises the following:

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

	30 June 2019	30 June 2018*
Sales of finished goods, services and goods for resale	192	101
Tramcars	54	31
Electric locomotives and suburb units	36	12
Trolleybuses	11	16
Metro	16	3
Electric equipment	3	1
Full service and repairs	42	21
Spare parts	12	1
Other products and services	18	16
Revenues from mechanical engineering business	**192**	**101**
out of which:		
Services/products transferred over time	167	86
Services/products transferred at a point in time	25	15
Raw material	89	37
Purchased services related to projects	11	9
External workforce	8	3
Other	4	8
Costs related to mechanical engineering business	**112**	**57**
Net mechanical engineering income	**80**	**44**

*since the acquisition in April to 30 June 2018

E.28.2. Revenues from mechanical engineering business – geographical markets

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

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

	30 June 2019	30 June 2018*
Services/products transferred over time	167	86
Czech Republic	31	40
Finland	63	24
Slovakia	12	-
Latvia	5	5
Germany	30	7
Russian Federation	17	4
Turkey	-	3
Other	9	3
Services/products transferred at a point in time	25	15
Czech Republic	20	12
Germany	2	-
Finland	-	1
Other	3	2

*since the acquisition in April to 30 June 2018

E.29. Net agricultural income

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

	2019	2018
Sales of goods	3	6
Cost of sales	(3)	(8)
Change in fair value of biological assets	3	5
Total net agriculture income	**3**	**3**

E.30. Other income

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

	2019	2018
Rental income	7	7
Net gain on disposal of property, plant, equipment and intangible assets	-	2
Gain on a bargain purchase (ref. B.2.2.)	38	-
Foreign currency gains	26	-
Other	73	44
Total other income	**144**	**53**

In 2019, the other category consists mainly of tax subsidies of MEUR 23, culture activities amounting MEUR 11 and debt sale proceeds.

E.31. Personnel expenses and other operating expenses

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

	2019	2018
Employee compensation	644	587
Payroll related taxes (including pension contribution)	148	146
Total personnel expenses	**792**	**733**
Rental, maintenance and repair expense	58	93
Professional services	80	46
Advertising and marketing	51	46
Telecommunication and postage	48	40
Taxes other than income tax	33	34
Information technologies	68	65
Collection agency fee	31	26
Travel expenses	15	13
Net impairment losses on goodwill recognised	2	11
Net impairment losses on property, plant and equipment	1	-
Net impairment losses on other assets (including contract assets)	1	5
Amortisation of cost to obtain or fulfil a contract	23	8
Net impairment losses on trading property	1	-
Net loss on disposal of property, plant, equipment, and intangible assets	2	3
Net foreign currency losses	-	64
Other	93	47
Total other operating expenses	**507**	**501**

E.32. Depreciation and amortisation

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

	2019	2018
Depreciation of property, plant and equipment	186	128
Depreciation of property, plant and equipment – ROU (IFRS 16)	67	-
Amortisation of intangible assets	199	113
Total depreciation and amortisation	**452**	**241**

E.33. Income tax expense

Income tax expense comprises the following:

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

	2019	2018
Current tax expense	(202)	(236)
Deferred tax income	36	178
Total income tax expense	**(166)**	**(58)**

Income tax is computed and recognised by entities generating substantial accounting profit for the interim period, either via application of statutory income tax rate on pre-tax income adjusted by, if significant, excluded disregarded revenues and costs. The Group's consolidated effective tax rate for the six months ended 30 June 2019 was 22% (30 June 2018: 21%).

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 2019	31 December 2018
Loan commitments	1,184	928
Revolving loan commitments	946	700
Consumer loan commitments	58	68
Cash loan commitments	32	37
Undrawn overdraft facilities	57	51
Term loan facilities	91	72
Capital expenditure commitments	122	115
Guarantees provided	69	67
Non-payment guarantees	18	18
Non-revocable letters of credit	-	1
Payment guarantees	51	48
Other	21	19
Total commitments and contingent liabilities	**1,396**	**1,129**

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, as at 31 December

	30 June 2019	31 December 2018
Secured bank loans	10,600	10,958
Loans received under repos	2,800	4,587
Debt securities issued	1,487	896
Total secured liabilities	**14,887**	**16,441**

The assets pledged as security were as follows:

In millions of EUR

	30 June 2019	31 December 2018
Cash and cash equivalents	1,432	821
Financial assets at fair value through profit and loss (repos)	21	173
Financial assets FVOCI (repos)	424	802
Loans and receivables due from customers	12,879	9,791
Trade and other receivables/other assets	36	69
Investment property (incl. assets held for sale)	1,622	1,322
Property, plant and equipment	207	164
Financial assets in off balance sheet (repo operations)	2,498	3,934
Total assets pledged as security	**19,119**	**17,076**

As of 30 June 2019, cash and cash equivalents of MEUR 1,132 (2018: MEUR 792) 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.

The Group has pledged certain assets as collateral for its funding liabilities. As at 30 June 2019 and 31 December 2018, the pledged asset include, in particular receivables from bank accounts, intra-group loans, hedging agreements and all shares of PPF Arena 1 B.V., PPF TMT

Bidco 1 B.V., PPF Telco B.V., PPF Infrastructure B.V. and the Telenor operating entities (with exception of 25% shares of Telenor Hungary not pledged as collateral).

E.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 them have appealed against the dismissal to the High Court in Prague where no hearings have been scheduled yet, however, participants submitted to the court several statements.

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. The first hearings took place in March and May 2018. On 8 April 2019, the court appointed its own expert to assess whether the consideration paid by PPF A4 B.V. was adequate or not.

Based on the analyses carried out by external advisors, management believes that it is unlikely that both cases above will be concluded in favour of the plaintiffs.

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

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

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

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

In 2017, O2 CR filed the legal action to the Municipal Court in Prague as a reaction to the repeated attempts organised by the connected companies BELL TRADE and PET-PACK SK s.r.o. O2 CR claims that no contracts have ever been concluded and that O2 CR has no obligations under these unconcluded contracts. The Municipal Court in Prague confirmed O2 CR’s arguments and upheld the legal action on the hearing on 26 June 2017. BELL TRADE and PET-PACK SK s.r.o. filed the appeal to the High Court in Prague.

In the first half of 2018, decisions in favour of O2 CR in the proceedings were issued. On 18 June 2018, the High Court in Prague confirmed the previous decision of the Municipal Court in Prague against PET PACK and BELL TRADE, which determined that no receivables or contracts ever existed. In relation to the company RVI, the High Court changed the previous decision also in favour of the Company. In May 2018, the resolution of the Regional Court in Bratislava also confirmed the decision of the District Court in Malacky. The court confirmed that the Company should not be the defendant in the proceedings which were been still to be held between BELL TRADE and PET PACK and from which the Company had already been exempted by the Constitutional Court of the Slovak Republic.

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

The following legal cases related to Škoda Transportation group is significant from the Group’s perspective:

In the arbitration proceedings with a major customer (ČD a.s. – Czech Railways, joint-stock company) regarding the payment of part of the purchase price, late payment interest due to late payments in the total amount of approximately MEUR 42 and the right to substitute the expression of will to conclude an amendment on the increase of the purchase price, the Arbitration Court at the Chamber of Commerce of the Czech Republic and the Agricultural Chamber of the Czech Republic decided in favour of the company and completely rejected the customer's claims for payment of the contractual fine for alleged breach of the company's obligations under the purchase contract (in the total amount of approximately MEUR 36) and a proposal for handing over the so-called license equivalent for Austria and Germany.

All payments connected with this dispute have been paid in previous years. The customer filed an action for the annulment of the above-mentioned arbitration award. On 20 March 2019, the Municipal Court in Prague fully dismissed the action the annulment of the arbitration award. On 9 May 2019, the customer appealed against the decision of the Municipal court to the High Court in Prague where no hearings have been scheduled yet.

The Group believes that all litigation risks have been faithfully reflected in the consolidated financial statements.

E.34.2.2. Regulatory investigation

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

On 7 August 2019, European Commission sent to the companies involved a so-called “statement of objections”, in which the Commission expressed its preliminary and provisional conclusion that the sharing agreements restrict competition and therefore infringe the European competition rules. Nevertheless, the statement of objections is merely a procedural step in the ongoing investigation, which in no way predetermines the final decision on the matter. On 8 August 2019, European Commission informed the Parent that intends to extend the above described investigation also to the Parent.

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

In January 2018, the Hungarian Competition Authority carried out an unannounced inspection at the headquarters of Telenor Hungary in relation to two cases: (i) the investigation of the 800 MHz frequency tender auction, in which Telenor Hungary and Magyar Telekom allegedly committed anti-competitive behaviour during the tender in form of bid rigging and information exchange; and (ii) the 800 MHz network sharing cooperation, under investigation since 2015. As of the date of these financial statements, the proceedings were ongoing and Telenor Hungary was cooperating with the Hungarian Competition Authority to show no breach had occurred.

E.34.2.3. Taxation

The taxation systems in the Russian Federation, Kazakhstan, Vietnam and some other countries of operations are relatively new and 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, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during several subsequent calendar years. Recent events within the Russian Federation, India, Kazakhstan, Vietnam, China and some other countries of operations 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 based on its interpretations of applicable Russian, Indian, Kazakhstani, Vietnamese, Chinese and other countries' tax legislation, official pronouncements and court decisions.

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 2019	31 December 2018
Guarantees received	99	124
Loan commitments received	242	230
Value of assets received as collateral (including repos)	8,127	9,373
Total contingent assets	**8,468**	**9,727**

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

	2019	2018
Interest income	4	4
Net gain on financial assets	-	1
Telecommunication income	1	-
Other income	**-**	**1**
Total revenue	**5**	**6**

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

In millions of EUR

	30 June 2019	31 December 2018
Loans due from customers	108	143
Trade and other receivables	1	1
Total assets	**109**	**144**
Due to non-banks	(32)	(30)
Total liabilities	**(32)**	**(30)**

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

	2019	2018
Interest income	7	9
Net gain/(loss) on financial assets	3	-
Other income	1	1
Total revenue	**11**	**10**
Mechanical engineering expenses	(1)	-
Other operating expenses	(10)	(7)
Total expenses	**(11)**	**(7)**

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

In millions of EUR

	30 June 2019	31 December 2018
Loans due from customers	209	212
Trade and other receivables	3	1
Intangible assets	3	2
Total assets	**215**	**215**
Due to non-banks	(57)	(23)
Trade and other payables	(4)	-
Total liabilities	**(61)**	**(23)**

F. Significant accounting policies

F.1. Significant accounting policies

If not stated otherwise, the accounting policies set out below have been applied consistently by all Group entities to all periods presented in these consolidated financial statements and by all Group entities.

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

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

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

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

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

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

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

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

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

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

The Group applies the exemption relating to the short-term leases for all its businesses (except for telecommunications, for which application of this exemption was assessed as not appropriate), and does not capitalise leases with lease term of 12 month or shorter (for telecommunications these short-term lease are capitalised). Regarding the leases with a low-value underlying asset the Group applies this practical expedient as well. Low-value tangible assets like copy machines (below TEUR 5) are not required to capitalise. The Group has also outscoped the leased intangible assets from capitalisation, as allowed by IFRS 16. For all its businesses, the Group does not separate non-lease components and capitalises them as lease payments (except for the finance business for which the non-lease components (like cleaning and maintenance) are separated and not capitalised as lease payments). Lessor accounting remained substantially unchanged.

Impact of transition to IFRS 16

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

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

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

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

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

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

In millions of EUR

	1 January 2019
Right-of-use assets	716
Deferred tax asset	-
Lease liabilities	(716)
Retained earnings	-

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted average rate applied is 4.1%.

In millions of EUR

	1 January 2019
Operating lease commitments at 31 December 2018 as disclosed in E.36	697
Discounted using the incremental borrowing rate at 1 January 2019	**(103)**
Finance lease liabilities recognised as at 31 December 2018	5
Recognition exemption for leases of low-value asset	(3)
Variable lease payments based on an index or a rate	(6)
Recognition exemption for leases with less than 12 months of lease term at transition	(12)
Extension options reasonably certain to be exercised and other	138
Lease liabilities recognised at 1 January 2019	**716**

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised MEUR 673 of right-of-use assets and MEUR 664 of lease liabilities as at 30 June 2019.

Also in relation to those leases under IFRS 16, the Group has recognised depreciation and interest costs, instead of operating lease expense. During the six months ended 30 June 2019, the Group recognised MEUR 67 of depreciation charges and MEUR 13 of interest costs from these leases.

F.1.2. Other relevant effective requirements

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

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

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

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

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

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

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

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

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

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

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

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

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

A number of new Standards, amendments to Standards and Interpretations are not yet effective as of 30 June 2019, 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 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 References to Conceptual Framework (effective from 1 January 2020)

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

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

These amendments have not yet been adopted by the EU.

The Group does not expect these amendments to have a significant impact on its consolidated financial statements.

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

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

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

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

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

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

G. Subsequent events

G.1. Agreement between shareholders of Home Credit group

With effect from 1 July 2019, PPF Financial Holdings B.V. and Emma Omega Ltd. as the direct shareholders of Home Credit Group B.V. entered into an agreement concerning certain transactions with Home Credit Group shares. The agreement was subsequently modified in September 2019 (the "Agreement").

On 15 July, 2019, Home Credit N.V. (formerly Home Credit B.V. whose legal form was changed on 27 July 2019) filed a listing application to the Stock Exchange of Hong Kong ("HKSE"). This filing was made in preparation for a contemplated global offering of Home Credit N.V. shares ("IPO"). On 1 September 2019, Home Credit N.V. submitted post hearing information pack to the HKSE. There is no assurance that the listing or any global offering of Home Credit N.V. shares will take place or as to when it may take place.

Under the Agreement the parties agreed following:

Emma Omega has a put option to sell up to a maximum of 2.5% shareholding interest in Home Credit Group. The put option could be exercised at the earlier of (a) 30 June 2020 or, (b) in case of the successful completion of the listing before 30 June 2020, at the fifth business day before publication of the Home Credit N.V. prospectus. In case the put option is exercised the acquirer of the shares will be an affiliate of PPF Financial Holdings (outside the Group).

Emma Omega is entitled to acquire from PPF Financial Holdings a 1% or 2% shareholding interest in Home Credit Group in January 2021 at the nominal value of shares. The percentage shareholding of Home Credit Group which may be acquired by Emma Omega depends on whether the Home Credit N.V. listing value achieves certain pre-agreed thresholds agreed by the parties. PPF Financial Holdings and Emma Omega have agreed that PPF Financial Holdings will sell to Emma Omega a 2.5% shareholding interest in Home Credit Group at the nominal value of share if PPF Financial Holdings is able to achieve a pre-agreed internal rate of return on its investment in Home Credit Group calculated for the period (a) from 31 December 2018 until 31 December 2023 in case of no Home Credit listing and (b) from the Home Credit listing date until 31 December 2023.

Under the Agreement, upon regular termination of it which shall occur on 31 December 2023, Emma Omega shall sell all its shares in Home Credit Group for their fair value derived entirely or partially from average market price of any material listed subsidiary of Home Credit Group if listed at that time. The contractual arrangements can be terminated also earlier than on regular termination date (31 December 2023) upon agreed and specified circumstances. The acquirer of the shares is an affiliate of PPF Financial Holdings (outside the Group).

G.2. Sales of 25% stake in Telenor Hungary

In October 2019, the Group through its subsidiary PPF TMT Bidco 1 B.V. signed an agreement for the sale of an indirect 25% stake in Telenor Magyarország Zrt. and Telenor Real Estate Hungary Zrt., representing a Hungarian telecommunication operator that the Group acquired in July 2017. The closing of the transaction has not occurred yet. The acquisition price amounts to approx. 300 MEUR.

G.3. Acquisition of Central European Media Enterprises

On 27 October 2019, the Group through its indirect subsidiary signed an agreement with Central European Media Enterprises Ltd., the company listed on NASDAQ/Prague Stock Exchange ("CME") to acquire CME. CME operates television stations in Bulgaria, the Czech Republic, Romania, Slovakia, and Slovenia. This transaction is subject to customary closing conditions, including the approval of the CME shareholders, the European Commission, and national regulators in certain countries where CME is active. The total consideration amounts to approx. BMUSD 2.1.

The acquisition is expected to be financed with a mix of equity and debt. The debt component consists of BEUR 1.15 senior secured term and revolving acquisition facilities. The facilities have been fully underwritten by BNP Paribas, Crédit Agricole CIB, Credit Suisse, HSBC, Société Générale and UniCredit.

28 October 2019

Board of Directors:

Aleš Minx
Chairman of the Board of Directors

Jan Cornelis Jansen
Member of the Board of Directors

Rudolf Bosveld
Member of the Board of Directors