PPF GROUP N.V.

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

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

Scope

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

Conclusion

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

The impact of uncertainties due to the COVID-19 on our review

As disclosed in the financial statements, COVID-19 affects the Company and results in certain uncertainties for the future financial position and performance of the Company. Uncertainties related to the potential effects of COVID-19 are relevant to understanding our review of the financial statements. All reviews assess and challenge the reasonableness of estimates made by companies, the related disclosures and the appropriateness of the going concern assumption of financial information. The appropriateness of the going concern assumption depends on assessments of the future economic environment and the Company‘s future prospects and performance. The COVID-19 pandemic is an unprecedented challenge for humanity and for the economy globally, and at the date of this report its effects are subject to significant levels of uncertainty.

We have evaluated the situation and uncertainties as described in the aforementioned disclosure and nothing causes us to believe that the disclosure is not adequate. However, a review cannot predict the unknowable factors or all possible future implications and this is particularly the case in relation to COVID-19.

Amstelveen, 23 October 2020

KPMG Accountants N.V.

M.L.M. Kesselaer RA

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Glossary

AC	- amortised cost
CF	- cash flow
CGU	- cash generating unit
EAD	- exposure at default
ECL	- expected credit loss
FLI	- forward-looking information
FVOCI	- fair value through other comprehensive income
FVTPL	- fair value through profit or loss
FX	- foreign exchange
IPRD	- in-progress research and development
JV	- joint venture
LGD	- loss given default
NCI	- non-controlling interests
OCI	- other comprehensive income
OTC	- over-the-counter
PD	- probability of default
POCI	- purchased or originated credit impaired
PPE	- property, plant and equipment
RBNS	- provision for claims reported but not settled
ROU	- right-of-use asset
SICR	- significant increase in credit risk

Condensed consolidated interim statement of financial position

In millions of EUR

	Note	30 June 2020	31 December 2019
ASSETS			
Cash and cash equivalents	E1	7,052	9,824
Investment securities	E2	4,578	2,836
Loans and receivables due from banks and other financial institutions	E3	860	582
Loans due from customers	E4	17,872	21,754
Trade and other receivables	E5	960	1,051
Contract assets	E5	287	287
Current tax assets		33	33
Inventories	E6	244	216
Equity-accounted investees	E7	962	884
Investment property	E8	1,878	2,002
Property, plant and equipment	E9	3,643	3,862
Goodwill	E10.1	1,602	1,659
Intangible assets	E10.2	2,505	2,593
Deferred tax assets	E35	690	479
Other assets	E11	564	552
TOTAL ASSETS		**43,730**	**48,614**
LIABILITIES			
Financial liabilities at fair value through profit or loss	E12	737	530
Due to non-banks	E13	11,924	12,829
Due to banks and other financial institutions	E14	13,463	16,885
Debt securities issued	E15	4,632	4,337
Subordinated liabilities	E16	260	264
Current tax liabilities		49	49
Trade and other payables	E17	2,582	2,923
Contract liabilities	E5	350	277
Provisions	E18	299	326
Deferred tax liabilities		590	639
TOTAL LIABILITIES		**34,886**	**39,059**
EQUITY			
Issued capital	E19	1	1
Share premium	E19	677	677
Other reserves	E20	(114)	115
Retained earnings		7,673	8,004
Total equity attributable to owners of the Parent		8,237	8,797
Non-controlling interests	E21	607	758
Total equity		**8,844**	**9,555**
TOTAL LIABILITIES AND EQUITY		**43,730**	**48,614**

Condensed consolidated interim income statement

For the six months ended 30 June

In millions of EUR

	Note	2020	2019
Interest income		2,569	2,740
Interest expense		(858)	(934)
Net interest income	E22	**1,711**	**1,806**
Fee and commission income		251	323
Fee and commission expense		(102)	(99)
Net fee and commission income	E23	**149**	**224**
Net earned premiums		36	36
Net insurance benefits and claims		(15)	(15)
Acquisition costs		(7)	(8)
Net insurance income	E26	**14**	**13**
Net rental and related income	E27	84	92
Property operating expenses		(13)	(15)
Net valuation gain/(loss) on investment property		61	14
Profit/(loss) on disposal of investment property		2	-
Net real estate income		**134**	**91**
Telecommunication income		1,544	1,506
Telecommunication expenses		(521)	(492)
Net telecommunication income	E28	**1,023**	**1,014**
Mechanical engineering income		186	192
Mechanical engineering expenses		(116)	(112)
Net mechanical engineering income	E29	**70**	**80**
Toll operations income		15	-
Toll operations expenses		(6)	-
Net toll operations income	E30	**9**	**-**
Net gain/(loss) on financial assets	E24	(24)	(18)
Net agriculture income	E31	6	3
Other income	E32	49	144
TOTAL OPERATING INCOME		**3,141**	**3,357**
Net impairment losses on financial assets	E25	(1,820)	(878)
Personnel expenses	E33	(781)	(792)
Depreciation and amortisation	E34	(455)	(452)
Other operating expenses	E33	(558)	(507)
Profit/(loss) on disposals/liquidations of equity-accounted investees and subsidiaries	B2	(2)	(2)
Share of profit/(loss) of equity-accounted investees, net of tax		-	13
PROFIT/(LOSS) BEFORE TAX		**(475)**	**739**
Income tax expense	E35	91	(166)
NET PROFIT/(LOSS) FOR THE PERIOD		**(384)**	**573**
Profit /(loss) attributable to:			
Owners of the Parent		(325)	537
Non-controlling interests	E21	(59)	36

Condensed consolidated interim statement of comprehensive income

For the six months ended 30 June

In millions of EUR

	2020	2019
NET PROFIT/(LOSS) FOR THE PERIOD	**(384)**	**573**
Other comprehensive income		
Valuation gains/(losses) on FVOCI equity instruments	149	110
Valuation gains/(losses) on FVOCI debt securities*	(9)	22
FVOCI revaluation (gains)/losses transferred to income statement*	(5)	(1)
Foreign operations - currency translation differences*	(496)	192
Effect of movement in equity of equity-accounted investees*	90	11
Disposal of subsidiaries and equity-accounted investees*	6	-
Cash flow hedge – effective portion of changes in fair value*	(15)	5
Income tax relating to components of other comprehensive income*	7	(3)
Other comprehensive income/(expense) for the period (net of tax)	**(273)**	**336**
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD	**(657)**	**909**
Total comprehensive income/(expense) attributable to:		
Owners of the Parent	(546)	863
Non-controlling interests	(111)	46

* Items that are or 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 2020

	Issued capital	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 2020	**1**	**677**	**129**	**158**	**(541)**	**190**	**179**	**8,004**	**8,797**	**758**	**9,555**
Loss for the period	-	-	-	-	-	-	-	(325)	(325)	(59)	(384)
Currency translation differences	-	-	-	-	(445)	-	-	-	(445)	(51)	(496)
FVOCI revaluation gains/(losses) taken to equity	-	-	139	-	-	-	-	-	139	1	140
FVOCI revaluation (gains)/losses transferred to income statement	-	-	(5)	-	-	-	-	-	(5)	-	(5)
FVOCI revaluation (gains)/losses transferred to retained earnings	-	-	(6)	-	-	-	-	6	-	-	-
Effect of hedge accounting	-	-	-	-	-	(13)	-	-	(13)	(2)	(15)
Effect of movement in equity of equity-accounted investees	-	-	-	-	(22)	103	6	3	90	-	90
Disposal and deconsolidation of subsidiaries	-	-	-	-	6	-	-	-	6	-	6
Tax on items taken directly to or transferred from equity	-	-	5	-	-	2	-	-	7	-	7
Total comprehensive income/(expense) for the period	**-**	**-**	**133**	**-**	**(461)**	**92**	**6**	**(316)**	**(546)**	**(111)**	**(657)**
Dividends to shareholder	-	-	-	-	-	-	-	(30)	(30)	-	(30)
Dividends to NCI	-	-	-	-	-	-	-	-	-	(33)	(33)
Sale of NCI	-	-	-	-	-	-	-	-	-	7	7
Other changes in NCI	-	-	-	-	-	-	-	20	20	(20)	-
Contributions by NCI	-	-	-	-	-	-	-	-	-	6	6
Other	-	-	-	-	-	-	1	(5)	(4)	-	(3)
Total transactions with owners of the Company	**-**	**-**	**-**	**-**	**-**	**-**	**1**	**(15)**	**(14)**	**(40)**	**(54)**
Balance as at 30 June 2020	**1**	**677**	**262**	**158**	**(1,002)**	**282**	**186**	**7,673**	**8,237**	**607**	**8,844**

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

	Issued capital	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**
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)/losses transferred to retained earnings	-	-	(3)	-	-	-	-	3	-	-	-
Effect of hedge accounting	-	-	-	-	-	5	-	-	5	-	5
Effect of movement in equity of equity-accounted investees	-	-	-	-	(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 by NCI	-	-	-	-	-	-	-	-	-	2	2
Other	-	-	-	-	4	-	6	(8)	2	1	3
Total transactions with owners of the Company	**-**	**-**	**-**	**9**	**4**	**-**	**6**	**(77)**	**(58)**	**8**	**(50)**
Balance as at 30 June 2019	**1**	**677**	**(10)**	**138**	**(574)**	**406**	**3**	**7,649**	**8,290**	**469**	**8,759**

Condensed consolidated interim statement of cash flows

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

In millions of EUR

	Notes	2020	2019
Cash flows from operating activities			
Profit/(loss) before tax		(475)	739
Adjustments for:			
(Gains)/losses on disposal of consolidated subsidiaries/equity-acc. investees		2	2
Interest expense	E21	858	934
Interest income	E21	(2,569)	(2,740)
Gain on bargain purchase	B2	-	(38)
Net foreign exchange (gains)/losses		(640)	799
Impairment losses of current and non-current assets		1,831	876
Other non-cash adjustments		364	445
Interest received		2,606	2,864
Change in assets and liabilities		453	(3,063)
Net cash from/(used in) operating activities		**2,430**	**818**
Cash flows from investing activities			
Dividends received		7	16
Purchase of tangible assets and intangible assets		(393)	(352)
Purchase of investments property		(10)	(5)
Acquisition of subsidiaries and equity-acc. investees, net of cash acquired (incl. capital increase)	B2	(33)	(269)
Proceeds from disposal of subsidiaries and equity-acc. investees, net of cash disposed	B2	14	31
Proceeds from sale of subsidiaries to NCI		7	-
Other movements		(1,554)	292
Net cash from/(used in) investing activities		**(1,962)**	**(287)**
Cash flows from financing activities			
Proceeds from the issue of debt securities		1,379	1,614
Repayment of debt securities		(1,007)	(863)
Interest paid		(865)	(820)
Cash payment for principal portion of lease liabilities		(79)	(50)
Dividends paid to NCI		(31)	(33)
Contributions by NCI		6	-
Change in loans from banks and other financial institutions		(3,103)	(1,394)
Cash flow from/(used in) financing activities		**(3,700)**	**(1,546)**
Net decrease in cash and cash equivalents		**(3,232)**	**(1,015)**
Cash and cash equivalents as at 1 January		**9,824**	**10,120**
Effect of exchange rate changes on cash and cash equivalents		460	117
Cash and cash equivalents as at 30 June	**E1**	**7,052**	**9,222**

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 financial services, telecommunications, real estate, insurance, mechanical engineering 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 2020 comprise the Parent Company and its subsidiaries (together referred to as "PPF Group" or the "Group") and the Group's interests in associates, joint ventures and affiliated entities. Refer to section B of these financial statements for a list of significant Group entities and changes to the Group in 2020 and 2019.

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

As at 30 June 2020, 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 and the Supervisory Board on 23 October 2020.

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

A.3. Basis of measurement

The Group decided to present its 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: financial instruments at fair value through profit or loss (including derivative financial instruments) and financial instruments at fair value through other comprehensive income. Financial assets and liabilities as well as non-financial assets and liabilities measured at historical cost are stated at amortised cost using the effective interest method or historical cost, as appropriate, net of any relevant impairment.

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

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

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

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

A.4. Use of judgements and estimates

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

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

The 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);
- useful life of tangible and intangible fixed assets;
- in-progress research and development recognised as intangible asset E.10.2);
- the fair value of investment property (refer to E.8);
- the fair value of financial instruments (refer to C.1);
- impairment of investment securities, loans provided, other financial assets and non-financial assets (refer to E.2-E.10);

- the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits (refer to E.35);
- 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.28-E.29);
- commissions as costs to obtain contracts with customers and stand-alone selling prices (refer to E.28-E.29);
- contingent assets/liabilities (refer to E.36);
- lease-term for the lessee accounting whether the Group is reasonably certain to exercise extension options.

A.5. Basis of consolidation

Subsidiaries are entities controlled by the Group. The control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable or convertible are taken into consideration. The financial statements of 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.

The Group's interests in equity-accounted investees comprise interests in associates and joint ventures. Associates are those entities in which the Group has significant influence, but not control, over financial and operating policies. A joint venture is an arrangement in which the Group has joint control based on a contractual agreement, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. 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 or joint control commences until the date the significant influence or joint control ceases to exist. 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 or gain on bargain purchase arise 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.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

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.

A.7. Change in presentation of collateral deposits for derivatives and certain bills of exchange

In 2019, the Group presented received collateral deposits for derivative instruments of MEUR 68 as other liabilities. In 2020, the Group decided to improve the presentation to better reflect the substance of these items and reclassified MEUR 37 as liabilities due to non-banks and MEUR 31 as liabilities due to banks in the presented comparative numbers as at 31 December 2019.

Further in 2019, the Group presented certain bills of exchange of MEUR 78 as investment securities at amortised cost. As the underlying assets of these bills of exchange are loans to corporations, the Group, to better reflect the substance, reclassified these bills of exchange to loans due from customers in the presented comparative numbers as at 31 December 2019. Related impairment allowance was nil.

A.8. Change in presentation of impairment losses and foreign exchange gains/losses in the statement of cash flows

In the period ended 30 June 2019, the Group presented adjustments for impairment of current and non-current assets as change in assets and liabilities in the condensed consolidated interim statement of cash flows. Considering the below described Covid-19 impact especially on the Group's provided loan portfolios, the Group decided to present these adjustments for impairment in the separate line in the condensed consolidated interim statement of cash flows for the period ended 30 June 2020. Thus, the adjustments for impairment of current and non-current assets of MEUR 876 were reclassified to a separate line item.

Similarly, net foreign exchange losses of MEUR 799, presented as other non-cash adjustments in the condensed consolidated interim statement of cash flows for the period ended 30 June 2019, were reclassified to a separate line item.

A.9. Covid-19 and its impact on the Group´s financial statements

On 11 March 2020, the World Health Organisation declared the coronavirus outbreak a pandemic. In the countries in which the Group operates, local governments imposed different restrictions on its citizens and businesses. In limiting the effects of any possible operational risks, the Group has followed and observed the business continuity protocols, as the health of the Group's employees and clients is its first priority. The effect on the Group's operations is assessed by comparison of the 2020 interim results and assessed quality of loan portfolio to the pre-covid expectations of each business segment, as well as by detailed observation and revaluation of all risks involved.

A slowdown in economic growth and adverse effects on new business were significant. Increased loss events have had an impact on the quality of retail and corporate loan portfolios. Limitations of opening hours and/or complete lock-downs of certain business premises in the individual countries have impacted the volume of new business and the renewal of existing business relationships.

The Group has sufficient available funds and does not expect to have issues in meeting its obligations when they come due.

The Group is continuously monitoring the situation and based on our current knowledge and available information we do not expect Covid-19 to have an impact on our ability to continue as a going concern in the future.

The impact on the Group´s risk evaluation, risk modelling techniques and accounting policies is described in F.1.1. section.

B. The 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 2020 and 31 December 2019.

Company	Domicile	Effective proportion of ownership interest 2020	Effective proportion of ownership interest 2019
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 4 B.V.	Netherlands	91.12%	91.12%
Air Bank a.s.	Czech Republic	91.12%	91.12%
Bank Home Credit SB JSC	Kazakhstan	91.12%	91.12%
Benxy s.r.o.	Czech Republic	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 N.V.	Netherlands	91.12%	91.12%
Home Credit Consumer Finance Co. 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%
Mobi Banka a.d. Beograd	Serbia	100.00%	100.00%
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%
AB 2 B.V.*	Netherlands	-	91.12%
AB 7 B.V.*	Netherlands	-	91.12%
PPF Financial Holdings subgroup - associates			
ClearBank Ltd.	United Kingdom	43.27%	39.31%
Eureka Analytics PTE. LTD.**	Singapore	-	22.32%
Nymbus, Inc.**	USA	-	12.68%
Telecommunications subgroup - subsidiaries			
PPF A3 B.V.	Netherlands	100.00%	100.00%
PPF TMT Holdco 1 B.V.	Netherlands	100.00%	100.00%
PPF Telecom Group B.V.	Netherlands	100.00%	100.00%
CETIN a.s. *(formerly Česká telekomunikační infrastruktura a.s.)*	Czech Republic	100.00%	100.00%
CETIN Finance B.V.	Netherlands	100.00%	100.00%
CETIN Group B.V. *(formerly PPF Infrastructure B.V.)*	Netherlands	100.00%	100.00%
O2 Czech Republic a.s.***	Czech Republic	83.57%	83.57%
O2 IT Services s.r.o.	Czech Republic	83.57%	83.57%
O2 Slovakia, s.r.o.	Slovakia	83.57%	83.57%

PPF Telco B.V.	Netherlands	100.00%	100.00%
PPF TMT Bidco 1 B.V.	Netherlands	100.00%	100.00%
Telenor Bulgaria EAD	Bulgaria	100.00%	100.00%
Telenor Commmon Operation Zrt.	Hungary	100.00%	100.00%
Telenor d.o.o. Beograd	Serbia	100.00%	100.00%
Telenor d.o.o. Podgorica	Montenegro	100.00%	100.00%
Telenor Magyarország Zrt.	Hungary	75.00%	75.00%
Telenor Real Estate Hungary Zrt.	Hungary	75.00%	75.00%
TMT Hungary B.V.	Netherlands	75.00%	75.00%
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%
Capellalaan (Hoofddorp) B.V.	Netherlands	100.00%	100.00%
De Reling (Dronten) B.V.	Netherlands	100.00%	100.00%
EusebiusBS (Arnhem) B.V.	Netherlands	100.00%	100.00%
Fantom LLC	Russia	100.00%	100.00%
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%
Gorod Molodovo Pokoleniya LLC *(formerly Gorod Molodovo Pokoleniya JSC)*	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	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%
Roko LLC	Russia	100.00%	100.00%
Skladi 104 LLC	Russia	60.06%	60.06%
Skolkovo Gate LLC	Russia	100.00%	100.00%
Spektr LLC	Russia	100.00%	100.00%
Stockmann StP Centre LLC	Russia	100.00%	100.00%
Tanaina Holdings Ltd.	Cyprus	100.00%	100.00%
Telistan Ltd.	Cyprus	99.90%	99.90%
TK Lipetskiy LLC	Russia	100.00%	100.00%
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			
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%

Seal House JV a.s.	Czech Republic	50.00%	-
MiddleCap Seal House Ltd.	United Kingdom	50.00%	-
Westminster JV a.s	Czech Republic	50.00%	50.00%
Carolia Westminster Hotel Ltd.	United Kingdom	45.00%	45.00%
Engineering subgroup - subsidiaries			
PPF IndustryCo B.V. *(formerly PPF Beer Topholdco B.V.)*	Netherlands	87.80%	90.00%
Bammer trade a.s.	Czech Republic	87.80%	90.00%
Pars nova a.s.	Czech Republic	87.80%	90.00%
ŠKODA ELECTRIC a.s.	Czech Republic	87.80%	90.00%
Škoda Investment a.s.	Czech Republic	87.80%	90.00%
Škoda Transportation a.s.	Czech Republic	87.80%	90.00%
Škoda Transtech Oy	Finland	87.80%	90.00%
ŠKODA VAGONKA a.s.	Czech Republic	87.80%	90.00%
Engineering subgroup - joint ventures			
SIBELEKTROPRIVOD LLC	Russia	43.90%	45.00%
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 S*AS*	France	96.00%	96.00%
CzechToll s.r.o.	Czech Republic	100.00%	100.00%
Facipero Investments Ltd.	Cyprus	100.00%	100.00%
Fodina B.V.	Netherlands	100.00%	100.00%
GEMCOL Ltd.	Cyprus	100.00%	100.00%
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%	100.00%
PPF Capital Partners Fund B.V.	Netherlands	96.00%	96.00%
PPF CYPRUS MANAGEMENT Ltd.	Cyprus	100.00%	100.00%
PPF Finco B.V.	Netherlands	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	48.61%	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%
Internet Mall Slovakia, s.r.o.	Slovakia	40.00%	40.00%
Internet Mall, a.s.	Czech Republic	40.00%	40.00%
Heureka Group a.s.****	Czech Republic	40.00%	40.00%

* merged with AB 4 B.V.
** reclassified to FVOCI (refer to C.1)
*** as at 30 June 2020 and 31 December 2019, due to the existence of treasury shares held by O2 Czech Republic a.s., the direct stake in the registered capital of this company is 81.06%.
**** this associate/joint venture comprises a group of entities.

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

Place of business	Entity
Russia	Anthemona Ltd., 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.

B.2. Changes through business combinations in 2020/2019

B.2.1. Acquisition of London office building

In June 2020, the Group, through its newly established joint venture with an external partner, acquired a 100% stake in MiddleCap Seal House Ltd. The entity owns a London office building Seal House that is currently vacant. The project is planned for complete rebuilding or reconstruction. The Group consolidates the project using the equity method.

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

	MiddleCap Seal House Ltd.
Transaction date	June 2020
Type of investment property	office building
Location	London
Effective stake acquired	50%
In millions of EUR	
Net assets at acquisition (100%)	1
of which:	
Total assets	44
Total liabilities	43
Consideration (paid in cash)	1
Group’s share on net assets at acquisition (50%)	0.5
Group’s share on post-acquisition capital increase	8

B.2.2. Sale of minority stakes in Škoda engineering subgroup

In February 2019, the Group sold a 10% stake in the Škoda engineering subgroup to an entity controlled by Mr Korecký, one of the members 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 (loss)	(3)

In March 2020, the Group sold an additional 2.2% stake in the Škoda engineering subgroup to the same acquirer.

The following tables summarise the financial aspect of the transaction:

Consideration	8
Effective ownership sold	2.2%
Net asset attributable to non-controlling interest sold	8

B.2.3. Acquisition of a 50% stake in Temsa (completed after 30 June 2020)

In May 2020, PPF Group together with a Turkish partner signed an agreement for the acquisition of a 100% stake in Temsa Ulaşım Araçları, a Turkish bus manufacturer. The transaction closed on 22 October 2020. Total consideration for full stake amounted to MEUR 17.

B.2.4. Acquisition of Central European Media Enterprises (completed after 30 June 2020)

On 27 October 2019, the Group through its indirect subsidiary signed an agreement with Central European Media Enterprises Ltd. (hereinafter also as CME), the company listed on NASDAQ/Prague Stock Exchange to acquire CME. This transaction was subject to customary closing conditions, including approval by the CME shareholders, the European Commission, and national regulators in certain countries where CME is active. On 6 October 2020, the European Commission approved the transaction which was the last outstanding and the most significant regulatory condition precedent. The transaction was legally finalised on 13 October 2020. As the Group acquired a 100% share, CME was delisted from NASDAQ/Prague Stock Exchange.

The Group obtained the control over CME's media and entertainment operations in the Czech Republic, Romania, Slovakia, Slovenia and Bulgaria. The Group aims these operations to complement its telecommunication business in Central and Eastern Europe and will use the natural synergies between both sectors to strengthen and further develop their positions on the market. In accordance with IFRS 3, the Group will initiate the purchase price allocation exercise (PPA) to identify the fair value of acquired assets and liabilities assumed, so the acquisition accounting is not finalised as at the date of these interim financial statements. Based on the preliminary conclusion, the acquired business is expected to be divided into five cash-generating units based on geographic location of individual operations acquired. As the closing of the acquisition is very recent, the Group, in addition to the details already disclosed here, shall disclose all relevant information relating to the transaction (including information on updated financials, acquired receivables, contingent liabilities, goodwill and revenues generated until year-end required by IFRS 3) in its annual consolidated financial statements.

The following table summarises the recognised amounts of assets and liabilities as at 30 June 2020 that are the latest publicly available unaudited interim financial results and prepared in accordance with the US GAAP and presented in US dollars. The Group does not expect significant differences between US GAAP and IFRS in relation to the below presented financial figures:

In millions of EUR, as at 30 June 2020

Carrying value of assets	**1,307**
Cash and cash equivalents	157
Property, plant and equipment	92
Intangible assets	295
Goodwill	597
Other assets	166
Carrying value of liabilities	**995**
Due to banks and other financial institutions	528
Subordinated liabilities	241
Trade and other payables	116
Other liabilities	110
Carrying value of identifiable net assets (under US GAAP)	**312**

The total consideration amounts to approx. EUR 1.8 billion. It comprises payment of EUR 1.3 billion for the acquisition of shares and EUR 0.5 billion as a shareholder loan to repay part of the current CME Group debt. The Group expects to recognise material goodwill as a result of the acquisition, which relates to the above-mentioned synergies and development of co-operation with telecommunication business already owned by the Group.

The acquisition is financed with a mix of equity and debt. The debt component consists of a EUR 1.1 billion senior secured term loan and a MEUR 50 revolving acquisition facility. The facilities have been fully underwritten by BNP Paribas, Crédit Agricole CIB, Credit Suisse, HSBC, Société Générale and UniCredit.

B.2.5. Acquisition of a Serbian banka (2019)

In June 2018, the Parent signed an agreement for the acquisition of a 100% stake in Mobi Banka a.d. Beograd (formerly Telenor Banka a.d. 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 Mobi Banka is considered a long-term investment on the PPF Group level, combining the telecommunications business with financial services provided to customers.

During the ten-month period ended 31 December 2019, the acquisition contributed revenue of MEUR 11 and a loss of MEUR 3 to the Group's results. If the acquisition had occurred on 1 January 2019, consolidated revenue and loss would have increased 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 a 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 gains on a bargain purchase.

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

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.2.6. Acquisition of real estate projects (in 2019)

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

B.2.7. Sale of real estate projects (in 2019)

December 2019, the Group sold a Berlin office building held by Trigon Berlin B.V. for a consideration of MEUR 105. Total profit from the sale of the entity amounted to MEUR 3.

B.2.8. Sale of 25% shareholding in Telenor Hungary (in 2019)

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

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

In millions of EUR	
Total net consideration	303
Effective ownership in Telenor Hungary sold	25%
Net asset value attributable to non-controlling interests sold	242
Effect recorded in retained earnings (gain)	61

B.3. Other changes

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

In 2016, O2 CR commenced the acquisition of its own shares on the regulated market organised by the Prague Stock Exchange, under the conditions published in connection with the approval of the share buy-back programme on the regulated market in December 2015. Until 31 December 2017, it acquired a total of 8.7 million treasury shares for the total acquisition price of MEUR 86. During the second half of 2019, O2 CR acquired an additional 0.6 million shares for MEUR 5.6, increasing the Group's effective share from 83.4% to 83.57%. There was no change in treasury shares during first half of 2020.

B.3.2. Operation of the Czech toll system

Through its subsidiary CzechToll s.r.o., in September 2018, the Group became the winner of the tender for the new toll system operator in the Czech Republic initiated by the Czech Ministry of Transport. The company submitted its bid as part of a consortium with Slovak toll operator SkyToll, which will supply technical solutions for the new Czech system. Initiated on 1 December 2019, the new toll system is intended to operate for the next 10 years.

CzechToll is the main contractor responsible for the fulfilment of the contract with Ředitelství silnic a dálnic ČR (ŘSD) in cooperation with SkyToll. ŘSD is a governmental body that is a direct customer of supplies. The subject of the contract is supplies and services which are related to the preparation, implementation and operation of the electronic toll system. As part of the operations CzechToll mediates toll collection to the accounts of ŘSD, or, in most cases, to CzechToll´s own accounts by subsequent transfer of the collected fees to ŘSD´s accounts. In the preparation phase and as one of the contractual conditions, CzechToll sold to ŘSD technical solutions and related equipment enabling its main business operations. CzechToll uses the equipment for the administration of operations, maintenance and toll collection. This equipment is in the ownership of ŘSD.

B.3.3. Arrangements between Home Credit shareholders

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").

Under the Agreement, the parties agreed on the following arrangements valid as of 30 June 2020:

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 a 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 if Home Credit is not listed, and (b) from the Home Credit listing date until 31 December 2023.

Upon the regular termination of the Agreement 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 the average market price of any material listed subsidiary of Home Credit Group, if listed at that time. The contractual arrangements may also be terminated earlier than on the regular termination date (31 December 2023) under the agreed and specified circumstances. The acquirer of the shares is an affiliate of PPF Financial Holdings (outside the Group).

C. Risk exposures, risk management objectives and procedures

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2019.

During the interim period there were no other significant changes in the nature or extent of risks arising from financial instruments except for those described in A.9 and F.1.1. sections. 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 2020

	Carrying amount	Fair value	Level 1	Level 2	Level 3
Investment securities at amortised cost	998	994	978	-	16
Loans and receivables due from banks and other financial institutions	860	860	-	860	-
Loans due from customers	17,872	17,899	-	-	17,889
Trade and other receivables*	1,058	1,058	-	7	1,051
Contract assets	287	287	-	-	287
Due to non-banks	(11,924)	(11,932)	-	(11,932)	-
Due to banks and other financial institutions	(13,463)	(13,465)	-	(13,465)	-
Debt securities issued	(4,632)	(4,628)	(1,436)	(2,816)	(376)
Subordinated liabilities	(260)	(260)	-	-	(260)
Trade and other payables**	(2,106)	(2,110)	-	(16)	(2,094)

* 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 2019

	Carrying amount	Fair value	Level 1	Level 2	Level 3
Investment securities at amortised cost	727	726	714	5	7
Loans and receivables due from banks and other financial institutions	582	582	-	553	29
Loans due from customers	21,754	21,784	-	-	21,784
Trade and other receivables*	1,143	1,143	-	18	1,125
Contract assets	287	287	-	-	287
Due to non-banks	(12,829)	(12,893)	-	(12,764)	(129)
Due to banks and other financial institutions	(16,885)	(16,872)	-	(16,872)	-
Debt securities issued	(4,337)	(4,322)	(1,790)	(2,156)	(376)
Subordinated liabilities	(264)	(264)	-	-	(264)
Trade and other payables**	(2,507)	(2,507)	-	(26)	(2,481)

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

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

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

In millions of EUR, as at 30 June 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	658	450	49	1,157
Financial assets FVOCI	1,975	385	63	2,423
Financial liabilities at FVTPL	(111)	(512)	(114)	(737)
Total	**2,522**	**323**	**(2)**	**2,843**

In millions of EUR, as at 31 December 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	92	180	50	322
Financial assets FVOCI	1,608	140	39	1,787
Financial liabilities at FVTPL	(156)	(261)	(113)	(530)
Total	**1,544**	**59**	**(24)**	**1,579**

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

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

	Financial assets FVTPL	Financial assets FVOCI	Financial liabilities FVTPL	Total
Balance as at 1 January	50	39	(113)	(24)
Net gains/(losses) recorded in profit or loss (included in net gain/(loss) on financial assets)	(1)	(2)	(5)	(8)
Purchases and other additions of financial assets	-	26	-	26
Sales/settlements	-	-	5	5
Effect of movements in exchange rates	-	-	(1)	(1)
Balance at 30 June 2020	**49**	**63**	**(114)**	**(2)**

In millions of EUR, for the year ended 31 December 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)	(48)	-	(37)	(85)
Purchases of financial assets	-	8	-	8
Sales/settlements	-	(9)	5	(4)
Transfers out of/into Level 3	-	1	-	1
Balance as at 31 December 2019	**50**	**39**	**(113)**	**(24)**

The Group uses the following techniques to determine fair value under Level 2 and Level 3:

The Level 2 assets include mainly financial derivatives, corporate bonds and treasury bills. For derivative exposures the fair value is estimated using the present value of the cash flows resulting from the transactions taking into account market inputs like FX spot and forwards rates, benchmark interest rates, swap rates, etc. The fair value of corporate bonds, treasury bills is calculated as the present value of cash flows using the benchmark interest rates.

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 investments of MEUR 63 not traded on the market where the fair value is calculated using the valuation techniques including expert appraisals (2019: equity investments of MEUR 39). The fair value of equity investments is sensitive to economic developments of the businesses in question. The additions during the first half of 2020 represent investment of MEUR 10 which were transferred from investments in associates due to a loss of significant influence (refer to B.1). The remaining additions are newly acquired assets.

C.2. Hedging

Pursuant to its interest rate risk management policy and with the objective to match the interest rate profile of its assets and liabilities, the Group started to hedge changes in fair values of certain loan portfolios and bonds for interest rate risk. The hedged portfolios, which are represented by a part of consumer loans receivables, mortgage and corporate loans receivables, and government bonds, are all denominated in CZK. The hedge of the consumer loans and of the mortgage loans is a portfolio hedge. The hedge of the corporate loans and of the government bonds is either a hedge of a single loan or a single bond issue, or a hedge of a group of loans or bond issues (micro hedge).

The hedged government bonds, corporate loans and the hedged consumer loans carry fixed interest rates. The mortgage loans carry fixed interest rates until the next repricing.

For the fair value hedge of the mortgages and consumer loans portfolios (portfolio hedging), the composition of the hedged portfolios is changed monthly. Existing mortgages and consumer loans are repaid, excluded from the hedged portfolio due to default, and newly originated mortgage loans and consumer loans are added to the portfolio. Additional interest rate swaps may be added to the group of hedging instruments to match the underlying position of the loans.

The objective of the hedging, both loan portfolios and bonds, is to offset the changes in the fair value of the CZK hedged items due to the changes in market interest rates by gains or losses on the hedging instruments (CZK interest rate swaps.). In this way, the Group also matches its assets with its floating rate liabilities. The Group applies hedge accounting for these hedge relationships. The hedge effectiveness is measured either cumulatively (consumer loans, mortgage loans) or in each reporting period (bonds, corporate loans). The hedge effectiveness is measured for each hedge relationship separately with application of the dollar offset method. The hedge ineffectiveness may result from imperfect matching of the hedging instruments with the hedged items (volumes, timing of cash flows).

In the six months period ending 30 June 2020, all fair value hedges were assessed as effective being in the range of 80-125%. A total loss of MEUR 5 from the hedge ineffectiveness is presented in profit or loss as net gains/losses on financial assets/liabilities (refer to E.24), where a loss of MEUR 3 relates to the portfolio hedge and a loss of MEUR 2 relates to the micro hedge.

C.2.1.1. Portfolio hedge

The following table shows the details on the hedging derivatives used for the fair value portfolio hedge relationships:

In millions of EUR, as at 30 June 2020

Fair value hedges - portfolio (interest rate risk)	Notional amount of the hedging instruments (MCZK)	Carrying amount of the hedging instruments		Presentation in statement of financial position	Increase/(decrease) in FV used for calculating hedge ineffectiveness for the period
		Assets (refer to E.2.1)	Liabilities (refer to E.12)		
Interest rate swaps	20,450*	-	(22)	Financial liabilities at FVTPL	(22)

* approx. MEUR 765

The following table shows the details on the hedged items subject to the fair value portfolio hedge relationships:

In millions of EUR, as at 30 June 2020

Fair value hedges - portfolio (interest rate risk)	Carrying amount of the hedged assets	Accumulated amount of FV hedge adjustments on the hedged assets incl. in their carrying amount	Presentation in statement of financial position	Increase/(decrease) in FV used for calculating hedge ineffectiveness for the period
Consumer loans (refer to E.4)	623	10	Loans due from customers (retail)	10
Mortgage loans (refer to E.4)	245	9	Loans due from customers (retail)	9
Total	**868**	**19**		**19**

C.2.1.2. Micro hedge

The following table shows the details on the hedging derivatives used for the fair value hedge relationships:

In millions of EUR, as at 30 June 2020

Fair value hedges (interest rate risk)	Notional amount of the hedging instruments (MCZK)	Carrying amount of the hedging instruments		Presentation in statement of financial position	Increase/(decrease) in FV used for calculating hedge ineffectiveness for the period
		Assets (refer to E.2.1)	Liabilities (refer to E.12)		
Interest rate swaps	12,313*	-	(45)	Financial liabilities at FVTPL	(32)

* approx. MEUR 460

The following table shows the details on the hedged items subject to the fair value hedge relationships:

In millions of EUR, as at 30 June 2020

Fair value hedges (interest rate risk)	Carrying amount of the hedged assets	Accumulated amount of FV hedge adjustments on the hedged assets incl. in their carrying amount	Presentation in statement of financial position	Increase/(decrease) in FV used for calculating hedge ineffectiveness for the period
Corporate loans (refer to E.4)	31	1	Loans due from customers (non-retail)	1
Bonds (refer to E.2.2)	555	19	Investment securities	29
Total	**586**	**20**		**30**

C.3. Capital management

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

The Subgroup is required to fulfil the following capital requirements: a Tier 1 capital adequacy ratio of at least 6% and a total capital adequacy ratio of at least 8%. Moreover, the Subgroup is required to maintain a capital conservation buffer amounting to 2.5% of its risk-weighted assets and an institution-specific countercyclical capital buffer that is currently 0.20% of its risk-weighted assets.

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

In a November 2015 decision of the Czech National Bank, the Subgroup was identified as an Other Systemically Important Institution (O-SII). This classification has been confirmed every year since then. No additional capital requirement was imposed due to this classification.

Some of the Subgroup's subsidiaries operating in the banking, consumer finance and insurance sectors maintain capital adequacy in compliance with local regulatory requirements, requiring the respective entities to maintain a ratio of total capital to total risk-weighted assets at or above a certain minimum level. The ratios are calculated based on the entities' financial statements prepared in accordance with local accounting standards. The Subgroup's policy in this respect is to support the subsidiaries with capital as necessary to maintain the subsidiaries' full compliance with the relevant requirements.

The Subgroup complied with all externally imposed capital requirements, large exposure 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 services	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, Russia, Asia, USA
	Air Bank* and its subsidiaries	Deposits, loans and other transactions and balances with retail customers	Czech Republic and Slovakia
	Mobi Banka	Deposits, loans and other transactions and balances with retail customers	Serbia
	ClearBank *(associate)*	Clearing and settlement services	United Kingdom
Telecommunications	O2	Telecommunications 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, Russia, Romania
Mechanical engineering	Škoda	Production, development, assembling and repairs of vehicles for public transport	Czech Republic, Eastern Europe, Russia, Finland
Insurance	PPF Insurance	Provision of life insurance products	Russia
Other	Sotio	Development of new medical therapies, focusing on the treatment of cancer and autoimmune diseases	Czech Republic, USA, China
	RAV Holding	Grain and livestock production, storage and trade	Russia
	O2 Arena	Operation of multipurpose hall hosting mainly sports and cultural events	Czech Republic
	CzechToll	Toll operating and collection system	Czech Republic
	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
	The Culture Trip *(associate)*	Online publishing and book selling	worldwide

* part of Home Credit Group

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

	2020	2019
Interest income	2,569	2,740
Fee and commission income	251	323
Net earned premiums	36	36
Net rental and related income	84	92
Telecommunication income	1,544	1,506
Mechanical engineering income	186	192
Toll operation income	15	-
Net agriculture income	6	3
Total revenue from external customers	**4,691**	**4,892**

The following table shows the main items from the financial statements broken down according to reportable segments for the six months ended 30 June 2020 and comparative figures for 2019:

In millions of EUR

30 June 2020	Financial services	Telecommu-nications	Real estate	Insurance	Mechanical engineering	Other	Unallocated	Eliminations	**Consolidated**
Revenue from external customers	2,802	1,543	85	32	188	35	6	-	4,691
Inter-segment revenue	8	2	1	1	-	1	17	(30)	-
Total revenue	**2,810**	**1,545**	**86**	**33**	**188**	**36**	**23**	**(30)**	**4,691**
Segment share of earnings of associates/JVs	(12)	-	20	-	1	(9)	-	-	-
Net profit/(loss) for the period	**(586)**	**210**	**57**	**4**	**(34)**	**5**	**(17)**	**(23)**	**(384)**
Other significant non-cash expenses	(1,813)	(42)	(1)	-	(2)	1	3	-	(1,854)
30 June 2020									
Segment assets (excl. equity-acc. investees)	30,306	8,229	2,204	205	902	1,946	1,408	(2,432)	42,768
Equity-accounted investees	27	1	86	-	18	830	-	-	962
Total assets									**43,730**
Segment liabilities	27,373	6,479	1,413	152	640	942	226	(2,339)	34,886
Total liabilities									**34,886**
Segment equity	**2,960**	**1,751**	**877**	**53**	**280**	**1,834**	**1,182**	**(93)**	**8,844**

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	-	5	17	(27)	-
Total revenue	**3,048**	**1,518**	**95**	**31**	**193**	**13**	**21**	**(27)**	**4,892**
Segment share of earnings of associates/JVs	(9)	-	(13)	-	3	32	-	-	13
Net profit/(loss) for the period	**326**	**136**	**48**	**3**	**(6)**	**44**	**24**	**(2)**	**573**
Other significant non-cash expenses	(869)	(35)	(2)	-	-	-	(1)	-	(907)
31 December 2019									
Segment assets (excl. equity-acc. investees)	35,012	8,216	2,296	219	949	1,667	1,614	(2,243)	47,730
Equity-accounted investees	48	-	82	-	20	734	-	-	884
Total assets									**48,614**
Segment liabilities	31,283	6,570	1,444	164	632	936	186	(2,156)	39,059
Total liabilities									**39,059**
Segment equity	**3,777**	**1,646**	**934**	**55**	**337**	**1,465**	**1,428**	**(87)**	**9,555**

D.1. Financial services segment

The financial services segment is primarily represented by Home Credit subgroup (consumer lending) and PPF Banka (corporate banking). The Home Credit subgroup 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, and centralised processes driving operational excellence. The subgroup also presents additional information for revenue and net interest income based on the division of countries into four geographic clusters. The Home Credit subgroup operates in the following principal geographical areas: the Czech Republic, Slovakia, Russia, Kazakhstan, India, Indonesia, Vietnam, the Philippines, China 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 2020 and comparative figures for 2019:

In millions of EUR

30 June 2020	Consumer lending						Corporate banking	Retail banking	Unallocated	Eliminations	**Consolidated**
		*CEE**	*CIS*	*SEA*	*China*	*Other*					
Revenue from customers	2,708	122	426	547	1,605	8	90	7	5	-	2,810
Inter-segment revenue	2	2	-	-	-	-	29	-	9	(40)	-
Total revenue	**2,710**	**124**	**426**	**547**	**1,605**	**8**	**119**	**7**	**14**	**(40)**	**2,810**
Net interest income from external customers	1,731	94	249	372	1,030	(14)	47	3	(1)	-	1,780
Inter-segment net interest income	(34)	2	(1)	(24)	-	(11)	28	-	9	(3)	-
Total net interest income	**1,697**	**96**	**248**	**348**	**1,030**	**(25)**	**75**	**3**	**8**	**(3)**	**1,780**
Net profit/(loss) for the period	**(619)**						**38**	**(2)**	**(3)**	**-**	**(586)**
Other significant non-cash expenses	(1,796)						(14)	-	(3)	-	(1,813)
30 June 2020											
Segment assets (incl. equity-acc. investees)	22,506						8,237	184	513	(1,107)	30,333
Segment liabilities	20,433						7,653	146	246	(1,105)	27,373
Segment equity	**2,073**						**584**	**38**	**267**	**(2)**	**2,960**

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

In millions of EUR

30 June 2019	Consumer lending						Corporate banking	Retail banking	Unallocated	Eliminations	**Consolidated**
		*CEE**	*CIS*	*SEA*	*China*	*Other*					
Revenue from customers	2,953	125	467	503	1,848	10	89	4	2	-	3,048
Inter-segment revenue	1	1	-	-	-	-	29	-	15	(45)	-
Total revenue	**2,954**	**126**	**467**	**503**	**1,848**	**10**	**118**	**4**	**17**	**(45)**	**3,048**
Net interest income from external customers	1,846	95	267	349	1,146	(11)	50	2	(2)	-	1,896
Inter-segment net interest income	(42)	1	(2)	(24)	-	(17)	29	-	15	(2)	-
Total net interest income	**1,804**	**96**	**265**	**325**	**1,146**	**(28)**	**79**	**2**	**13**	**(2)**	**1,896**
Net profit/(loss) for the period	**236**						**42**	**(1)**	**50**	**(1)**	**326**
Other significant non-cash expenses	(871)						3	-	(1)	-	(869)
31 December 2019											
Segment assets (incl. equity-acc. investees)	26,593						8,932	170	527	(1,162)	35,060
Segment liabilities	23,717						8,346	129	253	(1,162)	31,283
Segment equity	**2,876**						**586**	**41**	**274**	**-**	**3,777**

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

D.2. Telecommunication segment

The telecommunication segment is represented by O2 CR, CETIN and 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 millions of EUR

30 June 2020	CETIN	O2 Czech Republic	O2 Slovak Republic	Telenor Hungary	Telenor Bulgaria	Telenor Serbia & MNE	Unallocated segment	Eliminations	**Consolidated**
Revenue from external customers	171	593	136	249	188	207	1	-	1,545
Inter-segment revenue	195	11	2	1	2	5	13	(229)	-
Total revenue	**366**	**604**	**138**	**250**	**190**	**212**	**14**	**(229)**	**1,545**
EBITDA	**160**	**181**	**61**	**110**	**96**	**97**	**(4)**	**(5)**	**696**
Profit/(loss) for the period	**44**	**59**	**20**	**40**	**46**	**38**	**(38)**	**1**	**210**
Other significant non-cash expenses	(3)	(15)	(5)	(5)	(7)	(7)	-	-	(42)
30 June 2020									
Segment assets (excl. equity-acc. investees)	2,334	1,839	591	1,139	798	1,062	1,027	(560)	8,230
Equity-accounted investees	-	1	-	-	-	-	-	-	1
Segment liabilities	1,546	959	324	324	174	189	3,296	(333)	6,479
Segment equity	**788**	**880**	**267**	**815**	**624**	**873**	**(2,269)**	**(227)**	**1,751**

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/(loss) 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)
31 December 2019									
Segment assets (excl. equity-acc. investees)	2,515	2,092	594	1,176	781	1,088	470	(500)	8,216
Equity-accounted investees									
Segment liabilities	1,607	1,031	289	232	163	196	3,310	(258)	6,570
Segment equity	**908**	**1,061**	**305**	**944**	**618**	**892**	**(2,840)**	**(242)**	**1,646**

E. Notes to the condensed consolidated financial statements

E.1. Cash and cash equivalents

Cash and cash equivalents comprise the following:

In millions of EUR

	30 June 2020	31 December 2019
Cash on hand	121	167
Current accounts	1,286	1,700
Balances with central banks	412	454
Reverse repo operations with central banks	5,124	7,287
Placements with financial institutions due within one month	109	216
Total cash and cash equivalents	**7,052**	**9,824**

As of 30 June 2020, cash and cash equivalents amounting to MEUR 366 (2019: MEUR 809) 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 other restrictions on the availability of cash and cash equivalents.

E.2. Investment securities

Investment securities comprise the following:

In millions of EUR

	30 June 2020	31 December 2019
Financial assets at fair value through profit or loss	1,157	322
Financial assets at amortised cost	998*	727
Financial assets at FVOCI	2,423	1,787
Total investment securities	**4,578**	**2,836**

* incl. FV hedge adjustment of MEUR 19 (refer to C.2)

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

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

In millions of EUR

	30 June 2020	31 December 2019
Government and other public-sector bonds	763	90
Corporate bonds	6	4
Positive fair value of trading derivatives	338	164
Positive fair value of hedging derivatives	1	15
Total financial assets at FVTPL	**1,108**	**273**

As of 30 June 2020, financial assets not held for trading represent debt securities totalling MEUR 49 (2019: MEUR 49).

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 2020

	Gross amount	Amortised cost
Government bonds	985	985
Corporate bonds	13	13
Total financial assets at amortised cost	**998**	**998**

In millions of EUR, as at 31 December 2019

	Gross amount	Amortised cost
Government bonds	721	721
Corporate bonds	6	6
Total financial assets at amortised cost	**727**	**727**

E.2.3. Financial assets at FVOCI

Financial assets at FVOCI comprise the following:

In millions of EUR

	30 June 2020	31 December 2019
Debt securities	1,573	1,196
Government bonds	1,114	678
Corporate bonds	459	518
Equity securities	850	591
Shares	850	591
Total financial assets at FVOCI	**2,423**	**1,787**

As of 30 June 2020, the Group holds 30.6 million shares in Polymetal Plc. (31 December 2019: 30.6 million). The fair value amounted to MEUR 541 and a revaluation gain of MEUR 112 was recognised in equity in 2020 (31 December 2019: a fair value of MEUR 430; first half of 2019: MEUR 102 gain was recognised in equity). The shares are listed on the London Stock Exchange and classify as Level 1 from fair value determination perspective.

As of June 2020, the Group holds 12.4 million shares in the British biotechnology company Autolus Therapeutics PLC, representing a 23.82% share (31 December 2019: 8.6 million shares, a 19.2% share). The Group classifies this investment as an equity investment measured at FVOCI. Autolus is a global leader in the field of oncological T-cell therapy. The fair value amounted to MEUR 178 and a revaluation gain of MEUR 39 was recognised in equity in 2020 (31 December 2019: a fair value of MEUR 102; first half of 2019: gain in equity was nil). The shares were acquired by the Group through the US stock exchange NASDAQ. The shares are classified as Level 1 from the 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 2020	31 December 2019
Gross amount	863	583
Allowance for impairment	(3)	(1)
Total carrying amount	**860**	**582**
Term deposits at banks	198	96
Minimum reserve deposits with central banks	126	139
Loans to banks	50	55
Loans and advances provided under repos	321	198
Cash collateral for derivative instruments	165	94

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 2020	31 December 2019
Loans due from customers - retail		
Gross amount	18,351	21,723
Allowance for impairment	(2,231)	(1,580)
Loans due from customers – retail (carrying amounts)	**16,120**	**20,143**
Loans due from customers – non-retail		
Gross amount	1,835	1,670
Allowance for impairment	(83)	(59)
Loans due from customers – non-retail (carrying amounts)	**1,752**	**1,611**
Total loans due from customers (carrying amounts)	**17,872**	**21,754**

In millions of EUR

	30 June 2020	31 December 2019
Cash loans	11,317	13,933
Consumer loans	3,688*	5,023
Revolving loans	714	806
Mortgage loans	256*	240
Car loans	145	141
Loans due from customers – retail (carrying amounts)	**16,120**	**20,143**
Loans to corporations	1,629*	1,478
Loans to equity-accounted investees	121	120
Loans and advances provided under repo operations	-	10
Other	2	3
Loans due from customers – non-retail (carrying amounts)	**1,752**	**1,611**
Total loans due from customers (carrying amounts)	**17,872**	**21,754**

* incl. FV hedge adjustment of MEUR 10 for consumer loans, MEUR 9 for mortgage loans and MEUR 1 for loans to corporations (refer to C.2)

E.5. Trade and other receivables, contract balances

Trade and other receivables and contract assets comprise the following:

In millions of EUR

	30 June 2020	31 December 2019
Gross amount	1,057	1,136
Trade receivables	1,020	1,099
Accrued income	37	37
Individual impairment	(97)	(85)
Total carrying amount	**960**	**1,051**
Gross amount	288	288
Individual impairment	(1)	(1)
Total contract assets	**287**	**287**

<u>Contract assets and contract liabilities</u>

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 2020	31 December 2019
Receivables, which are included in “trade and other receivables”	69	191
Contract assets	**287**	**287**
out of which:		
Contract assets (mechanical engineering)	218	206
Contract assets (telecommunication)	69	81
Contract liabilities	**(350)**	**(277)**
out of which:		
Contract liabilities (mechanical engineering)	(250)	(169)
Contract liabilities (telecommunication)	(100)	(108)

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 2020	31 December 2019
Mechanical engineering inventories	131	109
Goods/merchandise for resale	77	80
Trading property	33	20
Agricultural inventories	3	7
Total inventories	**244**	**216**

The carrying amounts of inventories comprise impairment allowance of MEUR 14 (2019: MEUR 12) and represent notably an allowance for mechanical engineering categories and slow-moving and damaged items.

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 2020	31 December 2019
LEAG*	776	659
Metropolis (Russia)	58	57
Mall Group	33	46
Heureka Group**	18	25
The Culture Trip***	-	-
ClearBank	25	20
Other	52	77
Total equity-accounted investees	**962**	**884**

* a joint-venture
** demerged from Mall Group in October 2019
*** the Group's share on NAV is negative (recognised as an impairment on loans to equity-accounted investees, refer to E4)

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

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

	2020	2019
LEAG*	14	57
Metropolis (Russia)	22	(12)
Mall Group	(11)	(15)
Heureka Group**	1	
The Culture Trip***	(12)	(10)
ClearBank	(16)	(8)
Other	2	1
Total share of profit/(loss) in equity-accounted investees	**-**	**13**

* a joint-venture
** demerged from Mall Group in October 2019
*** the Group's share on NAV is negative (recognised as an impairment on loans to equity-accounted investees (refer to E.4)

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 2020	31 December 2019
Percentage ownership interest	**50.00%**	**50.00%**
Non-current assets	2,937	2,401
Current assets	3,202	3,396
Non-current liabilities	(3,133)	(2,902)
Current liabilities	(1,454)	(1,577)
Net assets (100%)	1,552	1,318
Carrying amount of investment in JV (50.00%)	**776**	**659**
	30 June 2020	30 June 2019
Total net profit for the period (100%)	27	114
Group's share on profit (50.00%)	**14**	**57**
Total other comprehensive income for the period (100%)	208	58
Group's share on other comprehensive income (50%)	**104**	**29**

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.

Metropolis (Russia)

In July 2015, the Group acquired a 49.99% stake in entities holding two up-and-running Moscow office buildings. In 2020, due to the negative development of rouble exchange rate, the project made a revaluation gain compensated by a translation loss (100%) of MEUR 43 (first half of 2019: positive development of rouble resulting in a revaluation loss compensated by a translation gain of MEUR 37), recorded directly in equity.

In millions of EUR

	30 June 2020	31 December 2019
Percentage ownership interest	**49.99%**	**49.99%**
Non-current assets	369	369
Current assets	14	11
Non-current liabilities	(254)	(249)
Current liabilities	(13)	(16)
Net assets (100%)	116	115
Carrying amount of investment in associate (49.99%)	**58**	**57**
	30 June 2020	30 June 2019
Total net profit for the period (100%)	43	(24)
Group's share on profit (49.99%)	**22**	**(12)**
Total other comprehensive income for the period (100%)	(43)	37
Group's share on other comprehensive income (49.99%)	**(21)**	**18**

Mall Group

In October 2017, the Group acquired a 40% stake in Mall Group a.s. The investment comprised Mall and Heureka, representing an e-commerce platform in Central and Eastern Europe and a comparison shopping platform in the Czech Republic and Slovakia. In October 2019, Heureka demerged from Mall Group and has formed Heureka Group a.s. since then. The below balance sheet figures for 2019 are presented for the already demerged groups, whereas the total share in loss for the first half of 2019 shows Mall Group including Heureka:

In millions of EUR

	30 June 2020	31 December 2019
Percentage ownership interest	**40.00%**	**40.00%**
Non-current assets	155	169
Current assets	148	197
Non-current liabilities	(34)	(38)
Current liabilities	(185)	(213)
Net assets (100%)	84	115
Carrying amount of investment in associate (40%)	**33**	**46**
	30 June 2020	30 June 2019
Total net loss for the period (100%)	(27)	(38)
Group's share on profit/(loss) (40%)	**(11)**	**(15)**

Heureka Group

In millions of EUR

	30 June 2020	31 December 2019
Percentage ownership interest	**40.00%**	**40.00%**
Non-current assets	27	30
Current assets	20	15
Non-current liabilities	(192)	(175)
Current liabilities	(18)	(26)
Net assets (100%)	(163)	(156)
Group's share of net assets (40%)	(65)	(62)
Goodwill included in carrying amount	83	87
Carrying amount of investment in associate (40%)	**18**	**25**
	30 June 2020	30 June 2019*
Total net profit for the period (100%)	(2)	-
Group's share on loss for the period (40%)**	**1**	**-**

* Heureka Group demerged from Mall Group a.s. on 1 October 2019.
** incl. Group's profit on dilution of MEUR 2

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 2020, the Group held a 48.61% share (31 December 2019: 43.69%) with a negative net asset value of MEUR 18 (31 December 2019: positive net asset value of MEUR 2). The Group's share on this negative net asset value of MEUR 8 is recognised as an impairment of the loans to equity-accounted investees under loans to corporations (refer to E.4). Goodwill from acquisition of the Culture Trip was fully impaired in 2019.

ClearBank

ClearBank is a start-up UK bank that has been providing clearing and settlement services since 2017. As of 30 June 2020, the Group held a 43.27% share (2019: 39.31%) with a net asset value of MEUR 55 (31 December 2019: MEUR 47).

E.8. Investment property

Investment property comprises projects located in Russia, 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 2020

	Russia	Czech Republic	Netherlands	Germany	Romania	UK	Total
Land plot	110	-	-	-	-	-	110
Office	424	95	360	20	96	117	1,112
Warehouse	292	-	-	-	-	-	292
Retail	287	-	25	-	-	-	312
Residential	-	17	-	-	-	25	42
Other	10	-	-	-	-	-	10
Total investment property	**1,123**	**112**	**385**	**20**	**96**	**142**	**1,878**

In millions of EUR, as at 31 December 2019

	Russia	Czech Republic	Netherlands	Germany	Romania	UK	Total
Land plot	120	-	-	-	-	-	120
Office	453	94	363	20	96	128	1,154
Warehouse	325	-	-	-	-	-	325
Retail	322	1	27	-	-	-	350
Residential	-	15	-	-	-	27	42
Other	11	-	-	-	-	-	11
Total investment property	**1,231**	**110**	**390**	**20**	**96**	**155**	**2,002**

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

In millions of EUR

	30 June 2020	31 December 2019
Balance as at 1 January	2,002	1,743
Recognition of ROU asset in initial application of IFRS 16	-	4
Adjusted balance	2,002	1,747
Additions resulting from business combination	-	206
Disposals resulting from business combination	-	(182)
Additions - capitalised costs	10	22
Disposals	(2)	(12)
Transfer to non-current assets held for sale	(24)	-
Transfer to trading property	-	(14)
Unrealised gains from investment property	73	165
Unrealised losses from investment property	(12)	(44)
Effect of movements in exchange rates	(169)	112
Other changes	-	2
Total balance	**1,878**	**2,002**

The most significant developments in the real estate segment in 2019 were as follows:

- an acquisition of Nevsky shopping centre in Saint Petersburg (refer to B.2.6)
- a sale of a Berlin office building owned by Trigon Berlin B.V. (refer to B.2.7)
- a sale of Langen office building owned by Langen B.V. (an asset deal).

There were no significant acquisitions or disposals during the first half of 2020.

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/residential	Income approach / Residual approach (property under development)
Russia	office/retail (incl. under development)	Income approach
Russia	warehouse (incl. under development)	Income approach
Romania	office	Income approach
United Kingdom	office/residential	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 2020	Land and buildings	Ducts, cables and related plant	Telecom technology and related equipment	Other tangible assets and equipment	Construction in progress	ROU	**Total**
Cost	905	1,704	1,206	661	145	816	5,437
Accumulated depreciation and impairment	(200)	(468)	(549)	(376)	(3)	(198)	(1,794)
Total PPE	**705**	**1,236**	**657**	**285**	**142**	**618**	**3,643**

In millions of EUR

31 December 2019	Land and buildings	Ducts, cables and related plant	Telecom technology and related equipment	Other tangible assets and equipment	Construction in progress	ROU	**Total**
Cost	945	1,773	1,214	668	150	803	5,553
Accumulated depreciation and impairment	(201)	(456)	(536)	(358)	(3)	(137)	(1,691)
Total PPE	**744**	**1,317**	**678**	**310**	**147**	**666**	**3,862**

E.10. Intangible assets and goodwill

E.10.1. Goodwill

The following table shows the roll-forward of goodwill:

In millions of EUR

	30 June 2020	31 December 2019
Balance as at 1 January	1,659	1,648
Additions from business combination	-	15
Effect of movements in exchange rates	(57)	(4)
Total balance	**1,602**	**1,659**

Goodwill is allocated to individual CGUs as follows:

In millions of EUR

	30 June 2020	31 December 2019
O2 CR – Czech operations	381	401
O2 CR – Slovak operations	40	40
CETIN	106	111
Telenor Hungary	390	421
Telenor Bulgaria	219	219
Telenor Serbia	369	369
Telenor Montenegro	42	42
Other	55	56
Total goodwill	**1,602**	**1,659**

E.10.2. Intangible assets

Intangible assets comprise the following:

In millions of EUR

30 June 2020	Software	Licences	Customer relationships	IPRD	Trade-marks	Other intangible assets	Construction in progress	**Total**
Cost	1,275	866	1,284	301	253	171	89	4,239
Accumulated amortisation and impairment	(737)	(303)	(467)	(9)	(155)	(57)	(6)	(1,734)
Total intangible assets	**538**	**563**	**817**	**292**	**98**	**114**	**83**	**2,505**

In millions of EUR

31 December 2019	Software	Licences	Customer relationships	IPRD	Trade-marks	Other intangible assets	Construction in progress	**Total**
Cost	1,258	815	1,329	351	271	106	51	4,181
Accumulated amortisation and impairment	(689)	(256)	(429)	(28)	(151)	(35)	-	(1,588)
Total intangible assets	**569**	**559**	**900**	**323**	**120**	**71**	**51**	**2,593**

E.11. Other assets

Other assets comprise the following:

In millions of EUR

	30 June 2020	31 December 2019
Prepaid expenses and advances	199	182
Financial settlements and other similar accounts	105	117
Cash collateral for payment cards	65	88
Cost to obtain the contract	52	53
Other tax receivable	26	27
Biological assets	12	5
Insurance related other assets	4	4
Assets held for sale	25	3
Other	80	80
Subtotal other assets (gross)	**568**	**559**
Individual allowances for impairment	(4)	(7)
Prepaid expenses and advances	(2)	(2)
Other	(2)	(5)
Total other assets (net)	**564**	**552**

E.12. Financial liabilities at fair value through profit or loss

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

In millions of EUR

	30 June 2020	31 December 2019
Negative fair values of trading derivatives	425	252
Negative fair values of hedging derivatives	88	9
Liabilities from short sales of securities	110	156
Other	114	113
Total financial liabilities at FVTPL	**737**	**530**

E.13. Liabilities to non-banks

Liabilities to non-banks comprise the following:

In millions of EUR

	30 June 2020	31 December 2019
Current accounts and demand deposits	7,083	6,794
Term deposits	3,059	3,500
Loans received under repos	1,743	2,474
Loans	25	23
Collateral deposits for derivatives	8	37
Other	6	1
Total liabilities to non-banks	**11,924**	**12,829**

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.14. Liabilities to banks and other financial institutions

Liabilities to banks and other financial institutions comprise the following:

In millions of EUR

	30 June 2020	31 December 2019
Repayable on demand	5	7
Loans received under repos	492	1,122
Secured loans (other than repos)	9,072	10,309
Unsecured loans	3,709	5,348
Collateral deposits for derivatives	40	31
Other	145	68
Total liabilities to banks	**13,463**	**16,885**

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

In March 2018, PPF Telecom Group B.V. consolidating the telecommunications segment entered into a facilities agreement with a syndicate of banks. In July 2018, under this agreement, the Group utilised secured term loan facilities amounting to MEUR 2,396 and MCZK 10,172 (approx. MEUR 380). During 2019 and 2020, the secured term loan facilities were restructured and partially refinanced by Euro medium term notes issued by the Parent Company (refer to E.15).

As at 30 June 2020, the outstanding amounts of the secured term loan facilities related to the telecommunications acquisition were MEUR 869 and MCZK 4,386 (approx. MEUR 164). As at 31 December 2019, the outstanding amounts of the secured term loan facilities were MEUR 1,349 and MCZK 6,139 (approx. MEUR 242). The actual amount of outstanding secured loan liabilities stated in the table above is lower by unamortised facility and legal fee 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. For details on security of the facilities refer to E.36.1.

E.15. 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

	30 June 2020	31 December 2019
Fixed rate debt securities	**4,442**	**4,162**
Within 1 year	1,566	1,513
1-2 years	797	1,255
2-3 years	65	82
3-4 years	800	191
4-5 years	665	71
More than 5 years	549	1,050
Variable rate debt securities	**190**	**175**
Within 1 years	66	28
1-2 years	90	83
2-3 years	34	64
Total debt securities issued	**4,632**	**4,337**

As at 30 June 2020, debt securities issued of MEUR 934 (2019: MEUR 1,165) were secured, of which MEUR 51 (2019: MEUR 91) by cash loan receivables, MEUR 653 (2019: MEUR 774) by consumer loan receivables, and MEUR 230 (2019: MEUR 300) by cash and cash equivalents.

E.16. Subordinated liabilities

Subordinated liabilities comprise the following:

In millions of EUR

	Interest rate	Maturity	30 June 2020	31 December 2019
Bond issue of MCZK 4,000	Variable	2027	149	157
Bond issue of MEUR 92	Fixed	2028	94	92
Loan MUSD 7	Variable	2023	7	7
Bond issue of MCZK 200	Fixed	2029	10	8
Total subordinated liabilities			**260**	**264**

The bond issue of MCZK 4,000 was issued in December 2017. The interest rate was determined as a fixed rate for the first two years; subsequently, in 2020, it was changed to a floating rate. The Group has an early redemption option exercisable on or after 18 December 2022.

The bond issue of MEUR 92 was issued in September 2018. The interest rate of 3.6% p.a. is determined as a fixed rate with maturity in September 2028. The Company has an early redemption option exercisable in September 2023.

E.17. Trade and other payables

Trade and other payables comprise the following:

In millions of EUR

	30 June 2020	31 December 2019
Settlements with suppliers	824	979
Wages and salaries	141	160
Social security and health insurance	26	31
Other taxes payable	96	118
Lease liabilities	629	676
Accrued expenses	140	186
Deferred income	46	47
Advance received	27	33
Customer loan overpayments	193	126
Financial settlement and other similar accounts	19	19
Deferred payment for acquisition of Telenor	304	417
Other	137	131
Total other liabilities	**2,582**	**2,923**

E.18. Provisions

Provisions comprise the following:

In millions of EUR

	30 June 2020	31 December 2019
Insurance provisions	174	191
Provisions for asset retirement obligations	41	42
Warranty provisions	17	20
Provision for litigation except for tax-related litigation	10	12
Provision for onerous contracts	10	6
Provisions for insurance commissions return	6	10
Provisions for expected credit losses from loan commitments and financial guarantees	3	3
Provision for restructuring	-	1
Other provisions	38	41
Total provisions	**299**	**326**

E.18.1. Insurance provisions

Insurance provisions comprise the following:

In millions of EUR

	30 June 2020	31 December 2019
Non-life insurance provisions	32	38
Provisions for unearned premiums	31	37
Provisions for outstanding claims	1	1
RBNS provisions	1	1
Life insurance provisions	142	153
Provisions for outstanding claims	3	4
Mathematical provisions	131	139
Provisions for profit participation allocated to policyholders	8	9
Other	-	1
Total insurance provisions	**174**	**191**

E.19. 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 2020	31 December 2019
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 2020, share premium representing the excess received by the Parent Company over the par value of its share amounted to MEUR 677 (2019: MEUR 677).

E.20. Other reserves

E.20.1. 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. For the period ending 30 June 2020, the Group recognised its share on gain in other comprehensive income amounting to MEUR 103 (30 June 2019: a gain of MEUR 30).

E.21. Non-controlling interests

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

Name of subsidiary*	Abbr.	Applicable	Country of incorporation
O2 Czech Republic a.s. (subgroup)	O2 CR	2020/2019	Czech Republic
TMT Hungary B.V. (subgroup)	TMT	2020/2019	Hungary
Home Credit Group B.V. (subgroup)	HC	2020/2019	Netherlands
PPF banka, a.s.	PPFB	2020/2019	Czech Republic
Velthemia Ltd. (subgroup)	VELT	2020/2019	Cyprus
Home Credit Indonesia PT	HCID	2020/2019	Indonesia
PPF IndustryCo B.V.**	IND	2020/2019	Czech Republic

* for place of business refer to B.1.
** renamed from PPF Beer Topholdco B.V. on 25 June 2020

The following table summarises the information relating to these subsidiaries:

In millions of EUR

30 June 2020	O2 CR	TMT	HC	PPFB	VELT	IND*	HCID	Other	**Total**
NCI percentage (ownership)	**16.43%**	**25.00%**	**8.88%**	**7.04%**	**39.93%**	**12.20%**	**22.55%**		
Total assets	1,604	1,163	22,506	8,237	247	911	408		
Total liabilities	(1,105)	(324)	(20,432)	(7,653)	(135)	(638)	(336)		
Net assets	**499**	**839**	**2,074**	**584**	**112**	**273**	**72**		
Net assets attributable to NCI of the sub-group	-	-	(11)	-	-	-	-		
Net assets attributable to owners of the Parent	499	839	2,063	584	112	273	72		
Carrying amount of NCI	**82**	**210**	**167**	**42**	**45**	**34**	**11**	**16**	**607**
NCI percentage during the period	**16.43%**	**25.00%**	**8.88%**	**7.04%**	**39.93%**	**12.20%**	**22.55%**		
Revenue	734	249	2,709	129	15	186	110		
Profit/(loss)	79	40	(588)	38	(3)	(33)	6		
Other comprehensive income	16	11	(191)	(37)	(6)	(34)	-		
Total comprehensive income	95	51	(779)	1	(9)	(67)	6		
Profit/(loss) allocated to NCI	13	10	(52)	3	(1)	(3)	(1)	(28)	**(59)**
OCI allocated to NCI	(5)	(17)	(17)	(3)	(7)	(4)	-	1	**(52)**
Dividends paid to NCI	**(31)**	-	-	-	-	-	-	-	**(31)**

* renamed from PPF Beer Topholdco B.V. on 25 June 2020

In millions of EUR

31 December 2019	O2 CR	TMT*	HC	PPFB	VELT	IND**	HCID	Other	Total
NCI percentage (ownership)	**16.43%**	**25.00%**	**8.88%**	**7.04%**	**39.93%**	**10.00%**	**22.55%**		
Total assets	1,879	1,202	26,590	8,928	284	969	430		
Total liabilities	(1,193)	(234)	(23,717)	(8,345)	(152)	(630)	(350)		
Net assets	**686**	**968**	**2,873**	**583**	**132**	**339**	**80**		
Net assets attributable to NCI of the sub-group	-	-	(29)	-	-	-	-		
Net assets attributable to owners of the Parent	686	968	2,844	583	132	339	80		
Carrying amount of NCI	**113**	**242**	**236**	**41**	**53**	**34**	**12**	**27**	**758**

30 June 2019	O2 CR	TMT*	HC	PPFB	VELT	IND**	HCID	Other	Total
NCI percentage during the period	**16.60%**	**-**	**8.88%**	**7.04%**	**39.93%**	**10%**	**22.55%**		
Revenues	739	-	2,951	144	14	192	96		
Profit/(loss)	77	-	261	43	19	(6)	4		
Other comprehensive income	(2)	-	108	26	-	-	-		
Total comprehensive income	75	-	369	69	19	(6)	4		
Profit/(loss) allocated to NCI	13	-	23	3	8	(1)	-	(10)	**36**
OCI allocated to NCI	-	-	-	-	-	-	-	10	**10**
Dividends paid to NCI	**(33)**	-	-	-	-	-	-	-	**(33)**

* the NCI for TMT Hungary arise in 2019, as described in section B
** renamed from PPF Beer Topholdco B.V. on 25 June 2020

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.22. Net interest income

Interest income comprises the following:

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

	2019	2019
Financial instruments at FVTPL	8	8
Financial assets at FVOCI	26	28
Financial instruments at AC	5	6
Due from banks and other financial institutions	76	85
Cash loan receivables	1,838	1,989
Consumer loan receivables	473	505
Revolving loan receivables	82	58
Car loan receivables	12	11
Mortgage loan receivables	3	3
Loans to corporations	45	37
Other	1	10
Total interest income	**2,569**	**2,740**

Interest expense comprises the following:

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

	2020	2019
Due to customers	125	132
Due to banks and other financial institutions	593	683
Debt securities issued	109	77
Subordinated liabilities	5	10
Lease liabilities	12	12
Other	14	20
Total interest expenses	**858**	**934**
Total net interest income	**1,711**	**1,806**

E.23. Net fee and commission income

Fee and commission income comprises the following:

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

	2020	2019
Insurance commissions	123	176
Penalty fees	38	63
Cash transactions	17	17
Customer payment processing and account maintenance	28	26
Commission income from partners	34	26
Retailers' commissions	2	9
Other	9	6
Total fee and commission income	**251**	**323**

Fee and commission expense comprises the following:

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

	2020	2019
Commissions to retailers	13	11
Cash transactions	22	14
Payment processing and account maintenance	28	29
Payments to deposit insurance agencies	13	20
Credit and other register expense	16	19
Other	10	6
Total fee and commission expense	**102**	**99**
Total net fee and commission income	**149**	**224**

E.24. Net gain/loss on financial assets

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

	2020	2019
Net trading income/(expense)	(93)	(37)
Debt securities trading	18	27
FX trading	(15)	11
Derivatives	(72)	(75)
Other	(24)	-
Net gains/(losses) on financial assets/liabilities at FVTPL not held for trading	(4)	(2)
Other net expense from financial assets	(5)	(2)
Dividends	19	16
Net realised gains/(losses)	59	7
Financial assets at AC	29	5
Financial assets at FVOCI	5	-
Loans and receivables	25	2
Total net gain/(loss) on financial assets	**(24)**	**(18)**

E.25. Net impairment losses on financial assets

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

	2020	2019
Cash loan receivables	1,516	741
Consumer loan receivables	242	114
Revolving loan receivables	30	6
Car loan receivables	3	-
Mortgage loan receivables	-	(1)
Due from banks and other financial institutions	1	2
Loans to corporations	9	6
Trade and other receivables	14	9
Financial assets at FVOCI (debt securities)	5	-
Other financial assets*	-	1
Total net impairment losses on financial assets	**1,820**	**878**

* incl. impairment losses on undrawn credit limit

E.26. Net insurance income

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

	Non-life	Life	Total
Gross earned premium	10	26	36
Net insurance benefits and claims	-	(15)	(15)
Acquisition cost	(1)	(6)	(7)
Total insurance income	**9**	**5**	**14**

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**

E.27. Net rental and related income

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

	2020	2019
Gross rental income	69	77
Service income	7	8
Service charge income	15	17
Service charge expense	(7)	(10)
Total net rental and related income	**84**	**92**

E.28. Net telecommunication income

E.28.1. Revenues from telco business – major lines of business

Telecommunication income comprises the following:

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

	2020	2019
Mobile originated revenues:	1,122	1,133
Fixed originated revenues:	234	218
International transit revenues	128	102
Other wholesale revenues	53	47
Other sales	7	6
Revenues from telecommunication business	**1,544**	**1,506**
out of which:		
Services/products transferred over time	1,365	1,344
Services/products transferred at a point in time	179	162
Supplies	324	302
Cost of goods sold	178	175
Commissions	19	15
Costs related to telecommunication business	**521**	**492**
Total net telecommunication income	**1,023**	**1,014**

E.28.2. 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

	2020	2019
Services/products transferred over time	1,365	1,344
Czech Republic	580	583
Slovakia	126	123
Germany	15	12
Switzerland	3	5
Hungary	213	209
Bulgaria	148	148
Serbia & Montenegro	163	170
Other	117	94
Services/products transferred at a point in time	179	162
Czech Republic	47	41
Slovakia	20	26
Hungary	34	37
Bulgaria	36	35
Serbia & Montenegro	42	23

E.29. Net mechanical engineering income

E.29.1. 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

	2020	2019
Sales of finished goods, services and goods for resale	186	192
Tramcars	27	54
Electric locomotives and suburb units	65	36
Trolleybuses	16	11
Metro	1	16
Electric equipment	5	3
Full service and repairs	44	42
Modernisation of rail vehicles	3	-
Spare parts	8	12
Other products and services	17	18
Revenues from mechanical engineering business	**186**	**192**
out of which:		
Services/products transferred over time	155	167
Services/products transferred at a point in time	31	25
Raw material	78	89
Purchased services related to projects	14	11
External workforce	5	8
Other	19	4
Costs related to mechanical engineering business	**116**	**112**
Total net mechanical engineering income	**70**	**80**

E.29.2. 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

	2020	2019
Services/products transferred over time	155	167
Czech Republic	60	31
Finland	35	63
Slovakia	35	12
Latvia	2	5
Germany	9	30
Russian Federation	1	17
Other	13	9
Services/products transferred at a point in time	31	25
Czech Republic	26	20
Germany	1	2
Other	4	3

E.30. Net toll operations income

In millions of EUR, for six months ended 30 June

	2020
Sales of services	15
Cost of sales	(6)
Total net toll operations income	**9**

The Group's toll operating and collection business started its operations at the end of 2019.

E.31. Net agricultural income

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

	2020	2019
Sales of goods	7	3
Cost of sales	(4)	(3)
Change in fair value of biological assets	3	3
Total net agriculture income	**6**	**3**

E.32. Other income

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

	2020	2019
Rental income	5	7
Gain on a bargain purchase (ref. B.2)	-	38
Foreign currency gains	-	26
Provision on services to a minority partner	10	13
Other	34	60
Total other income	**49**	**144**

E.33. Personnel expenses and other operating expenses

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

	2020	2019
Employee compensation	670	644
Payroll related taxes (including pension contribution)	111	148
Total personnel expenses	**781**	**792**
Rental, maintenance and repair expense	55	58
Professional services	73	80
Advertising and marketing	43	51
Telecommunication and postage	46	48
Taxes other than income tax	38	33
Information technologies	69	68
Collection agency fee	25	31
Travel expenses	7	15
Net impairment losses on goodwill recognised	-	2
Net impairment losses on property, plant and equipment	-	1
Net impairment losses on other intangible assets	5	-
Net impairment losses on other assets	4	1
Amortisation of cost to obtain a contract	25	23
Net impairment losses on trading property	-	1
Net loss on disposal of property, plant, equipment, and intangible assets	2	2
Net foreign currency losses	70	-
Other	96	93
Total other operating expenses	**558**	**507**

E.34. Depreciation and amortisation

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

	2020	2019
Depreciation of property, plant and equipment	174	186
Depreciation of property, plant and equipment – ROU (IFRS 16)	71	67
Amortisation of intangible assets	210	199
Total depreciation and amortisation	**455**	**452**

E.35. Income tax expense

Income tax expense comprises the following:

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

	2020	2019
Current tax expense	(147)	(202)
Deferred tax income	238	36
Total income tax expense	**91**	**(166)**

Income tax is computed and recognised by entities generating substantial accounting profit for the interim period, either via application of statutory income tax rate on pre-tax income adjusted by, if significant, excluded disregarded revenues and costs. The Group's consolidated effective tax rate for the six months ended 30 June 2020 was 19% (30 June 2019: 22%).

The significant increase in deferred tax assets during the first half of 2020 is due to the significant increase in impairment allowance on loans to customers (refer to E.4) where this increase also deepened the related tax-deductible temporary differences.

E.36. Off-balance sheet items

E.36.1. 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 2020	31 December 2019
Loan commitments	1,427	1,640
Revolving loan commitments	1,206	1,390
Consumer loan commitments	28	48
Cash loan commitments	23	29
Undrawn overdraft facilities	88	101
Term loan facilities	82	72
Capital expenditure commitments	239	107
Guarantees provided	182	173
Non-payment guarantees	17	17
Payment guarantees	165	156
Other	100	282
Total commitments and contingent liabilities	**1,948**	**2,202**

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

The following table shows secured liabilities:

In millions of EUR

	30 June 2020	31 December 2019
Secured bank loans	9,072	10,310
Loans received under repos	2,235	3,595
Debt securities issued	2,683	2,215
Total secured liabilities	**13,990**	**16,120**

The assets pledged as security were as follows:

In millions of EUR

	30 June 2020	31 December 2019
Cash and cash equivalents	1,292	1,250
Financial assets FVOCI (repos)	687	288
Loans and receivables due from customers	10,916	13,614
Trade and other receivables/other assets	2	19
Investment property (incl. assets held for sale)	1,523	1,817
Property, plant and equipment	204	218
Financial assets in off balance sheet (repo operations)	1,710	3,475
Other assets	32	33
Total assets pledged as security	**16,366**	**20,714**

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

E.36.2. Other contingencies

E.36.2.1. 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 the first hearing has been scheduled for 25 September 2020, however this hearing has been prorogued. Based on legal analyses carried out by external legal counsel, management believes that it is unlikely that this case will be concluded in favour of the plaintiffs.

Furthermore, the Group (through its subsidiary PPF A4 B.V.) is involved in litigations connected to a squeeze-out of minority shareholders in Česká telekomunikační infrastruktura a.s. ("CETIN"), approved by general meeting of this company on 3 December 2015. Several former minority shareholders filed their actions with the relevant court and asked the court to decide on adequate consideration (i.e. higher than that originally paid by PPF A4 B.V.) for their shares in CETIN. The first hearings took place in March and May 2018. On 3 April 2019, the court appointed its own expert to assess whether the consideration paid by PPF A4 B.V. was adequate or not with no conclusion by the date of the issue of these consolidated financial statements. The next hearing has been scheduled for 9 November 2020.

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 O2 CR 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 confirmed the conclusion of the Municipal court and dismissed the legal action against O2 CR in the hearing held in September 2020. The plaintiff has 2 months to file extraordinary appeal (after delivery of written decision), otherwise the case will be legally closed.

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

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

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

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

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

In arbitration proceedings with a major customer (ČD a.s. – Czech Railways, a joint-stock company) regarding the payment of part of the purchase price, late payment interest due to late payments totalling 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 an alleged breach of the Company's obligations under the purchase contract (approximately MEUR 36) and the proposal for handing over a 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 court dismissed the action for the annulment of the arbitration ruling. The judgement has not yet been final and conclusive, as on 9 May 2019, the significant customer appealed against the judgment of the court to the High Court in Prague. Proceedings are in process at the High Court in Prague, and a decision has not yet been issued. On 26 November 2019, the High Court in Prague suspended the proceedings until the arbitrator's expulsion proceedings are finalised.

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

E.36.2.2. Regulatory investigation

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

On 7 August 2019, the Commission issued a statement of objections, expressing its intention to issue a decision that the network sharing agreements constitute a breach of Article 101 of the Treaty. If such a decision were taken, there would be a risk for O2 CR and CETIN of imposition of a fine pursuant to Article 23 of Regulation (EC) No. 1/2003 and possibly of imposition of further measures to put an end to the alleged infringement. However, the Commission has in no way indicated the amount of the potential fine, not even approximately. On 8 August 2019, European Commission informed PPF Group N.V. that intends to extend the above described investigation also to PPF Group N.V. On 14 February 2020 the Commission has delivered to PPF Group N.V. (the Group's ultimate shareholder) statement of objection; PPF Group N.V. has replied to it on 20 April 2020. A formal oral hearing took place in this case on 15-17 October 2020. All investigated participants summarised their defence against the concerns of the Commission, including all factual, legal, economic and technical arguments supporting the position of the participants. The Commission may now (i) amend its consents (in the form of additional statement of objection or another similar way), (ii) issue the decision on the breach of the competition law, (iii) enter into negotiation on the commitments with the Group entities and other participants and, if agreed, issue decision through which it terminates the proceedings without the breach of competition law being confirmed, or (iv) stop the proceedings without decision on the breach of the laws.

The Group, including its individual entities involved in the case (i.e. O2 CR and CETIN), is firmly convinced that network sharing has significantly enhanced the availability and quality of mobile signal in the Czech Republic, which is currently among the top European countries in terms of coverage density. Thus, no harm to competition or consumers has occurred. The Group will therefore further continue after the oral hearing to communicate with the Commission in order to convince it of the compliance of the cooperation between the sharing partners with the laws and benefits thereof on the consumers and network competition in the Czech Republic.

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.36.2.3. Taxation

The taxation systems in Russia, India, Kazakhstan, Vietnam, China and some other countries of operations are relatively new and are characterized by frequent changes in legislation which are subject to varying interpretation by different 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 Russia, India, Kazakhstan, Vietnam, China and some other countries of operations suggest 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 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.

Home Credit and Finance Bank (LLC), HC Consumer Finance Philippines (Inc.) and Home Credit International (JSC) are currently under review of tax inspection. The final output is not known yet.

E.36.3. Guarantee received and off-balance sheet assets

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

In millions of EUR

	30 June 2020	31 December 2019
Guarantees received	67	82
Loan commitments received	774	218
Value of assets received as collateral (including repos)	6,886	8,911
Total contingent assets	**7,727**	**9,211**

As of the date of these interim financial statements the undrawn part of committed loan facilities existing at 30 June 2020 is MEUR 198.

E.37. Related parties

E.37.1. Transactions with associates/joint-ventures

During the course of the year, the Group had the following significant transactions at arm's length with associates/joint-ventures:

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

	2020	2019
Interest income	4	4
Fee and commission income	1	-
Telecommunication income	-	1
Total revenue	**5**	**5**

At the reporting date, the Group had the following balances with associates/joint-ventures:

In millions of EUR

	30 June 2020	31 December 2019
Loans due from customers*	134	120
Investment securities	15	-
Trade and other receivables	-	3
Total assets	**149**	**123**
Due to non-banks	(2)	(34)
Total liabilities	**(2)**	**(34)**

* presented in their gross amounts

E.37.2. 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

	2020	2019
Interest income	7	7
Net gain/(loss) on financial assets	1	3
Other income	1	1
Total revenue	**9**	**11**
Mechanical engineering expenses	(1)	(1)
Interest expense	(1)	-
Other operating expenses	(6)	(10)
Total expenses	**(8)**	**(11)**

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

In millions of EUR

	30 June 2020	31 December 2019
Loans due from customers*	213	214
Trade and other receivables	1	5
Intangible assets	6	5
Total assets	**220**	**224**
Due to non-banks	(7)	(37)
Total liabilities	**(7)**	**(37)**

* presented in their gross amounts

F. Significant accounting policies

F.1. Significant accounting policies

The Group applies the same accounting policies in these condensed consolidated interim financial statements as were applied in the recent annual consolidated financial statements for the year ended 31 December 2019, except for the enhancements in the ECL calculation as a result of Covid-19 described below.

F.1.1. Enhancements to the ECL calculation as a result of Covid-19

Identification and measurement of impairment

Due to Covid-19 and its significant impact on consumer finance business, the Home Credit subgroup adjusted its approach to identification and measurement of consumer loan impairments. The following enhancements to the ECL calculation as a result of Covid-19 were performed:

Measurement of ECLs

Due to the Covid-19 pandemic and subsequent events in countries where the subgroup operates (government actions, moratoria, etc.), the current modelling techniques are not fully applicable on some portfolios since purely statistical models can give inaccurate results or it is not possible to calculate the results without undue cost or effort. Main reasons are lock-down of countries or emergency states which do not allow customers to hold their obligations. This usually results in significant unrealistic worsening of historical model statistics and imposed regulatory or governmental reliefs to customers (e.g. in form of payment holidays) also to the situation when contracts are not changing delinquency status for a certain period of time. To ensure the overall methodology works, consumer loan portfolio has been separated into three parts.

The first part of the portfolio, where significant deterioration from current delinquency bucket is observable during the first months of crisis impact (hereafter “Covid portfolio”). The identification is set based on the analysis of contracts falling newly into the delinquency of 30+ days while being under this threshold level for a predefined period of time (typically 3-9 months). The aim is to exclude clients who suddenly started to fall into delinquency with expected assumption of Covid-19 crisis impact on their performance. All contracts included in the Covid portfolio are automatically provisioned by long-term coefficients (i.e. assigned to stage 2 or stage 3 according to the corresponding delinquency bucket).

The second part of portfolio is the part where payment holidays (hereafter “PayHol”) were provided during the Covid-19 period (based on moratoria set in individual countries). During the payment holidays period, the subgroup performed qualitative assessments in the countries where it operates (collective analysis of impact on business sectors, impact on different geographical location, data acquired during collections processes, qualitative research etc.). This assessment led to final estimation of SICR for this portfolio. For more information refer to the below section Determining whether credit risk has increased significantly.

The rest of the portfolio is not included in the parts described above (hereafter “non-covid”). This portfolio was evaluated consistently with pre-covid-19 measurement of ECL.

Resulting shares of individual parts on total balance are 2.6% for Covid portfolio, 10.1% for PayHol portfolio and 87.3% for non-covid portfolio.

Forward-looking information

Due to the Covid-19 pandemic, the methodology was reassessed to better reflect current circumstances and threshold was adjusted to nil therefore FLI is included in final calculation regardless the result. Also, FLI models calculated based on available data are being checked to provide reliable outputs utilizing the macroeconomics data during and post crisis.

The provisions are based on the latest macro-economic forecast. The subgroup uses three scenarios with set weights for evaluation of the impact:

- base scenario – in general, the development according to available macroeconomics forecasts
- adverse scenario – either based on worsening of Base scenario, or on percentile from historical development (depending on reliability of model results)
- optimistic scenario – either based on improving of Base scenario, or based on percentile from historical development (depending on reliability of results)

Scenario weights are set according to the latest expectations (the weight of base scenario is mostly in the range of 60-70%, the rest is being distributed among adverse and optimistic scenarios).

In times of volatility and uncertainty where the portfolio quality and economic environment is rapidly changing, FLI models alone may not be able to accurately predict losses among the subgroup. In these cases, the subgroup management adjustments can be applied to appropriately reflect ECL.

The subgroup management applied further FLI adjustment in SSEA and CIS regions where results did not correspond to the latest expectations.

Determining whether credit risk has increased significantly

In response to Covid-19 pandemic, the subgroup implemented additional procedures related to SICR. In general, each portfolio is divided into several parts (for detailed information on portfolio split refer to the above section Measurement of ECLs). Covid-19 affected portfolio is using long-term coefficients, e.g. whole amount is expected to be subject to SICR. Clients who opted for payment holidays are evaluated on case-by-case basis or based on collective assessment utilising internal or external data available on particular market (qualitative assessments, impact on business sectors, impact on different geographical location, data acquired during collections processes, qualitative research etc.). The rest of the portfolio remained unchanged.

Modified financial assets

Due to Covid-19 pandemic, the subgroup introduced forbearance measures such as payment holidays for affected clients or/and other measures imposed by local governments such as different types of moratoria (both Opt-in and Opt-out). The Group adhered to guidance from several European/supra-national authorities (such as EBA, IASB, etc.) that forbearance measures related to Covid-19 do not automatically lead to SICR. For detailed information of

SICR assessment refer to the above section Determining whether credit risk has increased significantly.

As at 30 June 2020, the Group recognised forborne gross loans of MEUR 1,324 (2019: nil) and related impairment allowances of MEUR 590 (2019: nil).

F.1.2. New effective requirement

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

<u>*IFRS 17 Insurance Contracts*</u> *(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.

G. Subsequent events

G.1. Business restructuring in telecommunication business

As at 1 July 2020, in its telecommunication business, the Group completed a separation of retail and infrastructure in three of its Telenor branded mobile operators in Bulgaria, Hungary, and Serbia, and established CETIN subgroup, subsequently. The newly established subsidiaries are CETIN Bulgaria, CETIN Hungary, and CETIN Serbia. There is no change in ownership structure and companies are fully consolidated in the Group's financial statements.

G.2. Committed unsecured bank facility

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

G.3. Sale of Russian real estate project

In July 2020, the Group sold Moscow real estate project Mitino Sport City comprising a land plot for commercial development. The price for an entity owning the project amounted to MEUR 8.

G.4. Bond issue

In September 2020, the Group issued an additional secured bond amounting to MEUR 500 under the MEUR 3,000 Euro medium term note programme established in March 2019. The bonds are used to repay the Group's secured loans.

G.5. Closing of Temsa acquisition

In October 2020, the Group finalised with its joint venture partner the acquisition of a 100% stake in Temsa Ulaşım Araçları, a Turkish bus manufacturer (refer to B.2.3).

G.6. Closing of the CME acquisition

In October 2020, the Group completed the acquisition of Central European Media Enterprises Ltd. (CME) and obtained the full control over CME's operations in the Czech Republic, Romania, Slovakia, Slovenia and Bulgaria. The transaction signed in October 2019 was subject to the relevant regulatory approvals (refer to B.2.4).

There are no other significant events after the reporting period.

23 October 2020

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