PPF GROUP N.V.

Annual accounts 2020

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Report of the board of directors

Description of the Company

PPF Group N.V.
Date of incorporation: 29 December 1994
Registered office: Netherlands, Strawinskylaan 933, 1077XX Amsterdam
Identification number: 33264887
Basic share capital: EUR 624,010
Principal business: Holding company activities and financing thereof

General information

PPF Group (the "Group") invests in multiple market sectors such as banking and financial services, telecommunications, media, real estate, mechanical engineering, insurance and biotechnology. PPF Group's reach spans from Central and Eastern Europe to Russia, the USA and across Asia. As at 31 December 2020, PPF Group owned assets amounting to EUR 40 billion. PPF Group N.V., with its registered office in Amsterdam, is the key holding company of the Group that makes strategic decisions governing the entire Group's activity. The Group comprises several business segments.

The most significant segment based on balance sheet size is PPF Financial Holdings, combining consumer finance, retail and corporate banking. The Group holds an 91.12% interest in Home Credit Group B.V., the holding company for the Home Credit Group companies, providing a global consumer finance business, and Air Bank a.s. (a retail bank). The Group's focus in corporate banking is represented by PPF banka a.s., in which the Group holds a 92.96% share. In 2019, the Group acquired Serbian retail bank Mobi Banka. ClearBank Ltd. is a start-up bank licensed in the United Kingdom in 2016 which is focused on providing clearing services. The Group holds a 40.61% minority interest in ClearBank Ltd.

Non-financial segments are represented predominantly by telecommunications, real estate, mechanical engineering, and since October 2020 also media.

The telecommunications segment is roofed by PPF Telecom Group B.V. historically comprising of O2 Czech Republic a.s. and CETIN, a.s.. In 2018, the Group acquired a 100% share in Telenor Hungary, Bulgaria, Montenegro and Serbia.

PPF Real Estate Holding B.V. is a Group company consolidating real estate projects located in western and eastern Europe, and Russia.

Mechanical engineering is represented mainly by a 2018 acquisition of Škoda Transportation group.

Media segment comprises TV Bidco group that acquired Central European Media Enterprises Ltd. (hereinafter also as CME) in October 2020. The Group obtained the control over CME's media and entertainment operations in the Czech Republic, Romania, Slovakia, Slovenia and Bulgaria.

Significant events in 2020 and 2021 (until April 2021)

January 2020

CzechToll launched a new electronic toll collection system in the Czech Republic, with modern satellite technology replacing a 13-year-old toll system based on microwave technology.

May 2020

PPF banka participated as a Co-Manager in PPF Telecom Group's four-year senior secured EUR 500 million Eurobond issue. PPF Telecom Group witnessed strong demand from more than 100 high-quality international investors.

July 2020

PPF Telecom Group has split the retail and infrastructure operations at its Telenor-branded mobile operations in Bulgaria, Hungary and Serbia, shifting network activities into a new company to increase efficiency across Central and Eastern Europe. The newly established CETIN Group will consist of an existing unit in the Czech Republic, along with divisions from the three other nations. The group will manage PPF Telecom Group's telecommunication infrastructure backbone, with a view to improving voice, data, TV, video, IT, and cybersecurity services.

August 2020

SOTIO has acquired rights to BOXR CAR-T platform and products from US biotechnology company Unum Therapeutics and started to build a T cell therapy R&D Center of Excellence in Cambridge, Massachusetts, with plans to initiate first clinical studies at the end of 2021.

October 2020

PPF Group has completed the acquisition of Central European Media Enterprises (CME). The transaction was subject to approval by the European Commission. The Group has obtained full control of CME's operations in Czechia, Romania, Slovakia, Slovenia and Bulgaria. PPF Group's priority is to accelerate the digital transformation of the business, increase content creation capabilities, and continue the CME legacy by providing independent and objective news as well as high-quality entertainment for viewers.

Turkey's Sabanci Holding and PPF Group (the engineering part) acquired the country's major bus manufacturer Temsa, through a 50%-50% joint venture.

December 2020

PPF Group signed an agreement for acquisition of an office complex near Atlanta, Georgia. The transaction was finalised in March 2021.

PPF Group entered into agreement to sell its stake in a Switzerland-based company, NBE-Therapeutics to Boehringer Ingelheim. The transaction closed in January 2021. PPF Group initially invested into NBE in 2016 and was NBE's largest shareholder at the time of the acquisition. NBE-Therapeutics, as part of Boehringer, will continue to support the existing partnership with PPF-owned SOTIO on SOTIO's two preclinical-stage programs.

January 2021

Moneta Money Bank a.s. (a Czech listed company "Moneta"), announced that it had received from PPF Group (through its subsidiary Tanemo a.s.) a public proposal for a voluntary tender offer for Moneta shareholders and an invitation for negotiations concerning the full acquisition of Air Bank and other companies from the Group (Home Credit a.s.; Benxy s.r.o.; and Home Credit Slovakia, a.s., collectively the "Air Bank Group") by Moneta.

February 2021

PPF Group has launched a voluntary offer to existing shareholders for up to 20% of shares in Moneta, with a right to raise that to 29%, offering CZK 80 per share, a 19% premium to the closing price before the tender was published.

April/May 2021

PPF Group gained control of approx. 29.9% of Money shares by receiving acceptance confirmations from existing bank's shareholders in a framework of voluntary tender offer. The acquisition of the stake was approved by the Czech National Bank in April 2021.

On 6 May 2021, the Group and Moneta signed a framework agreement regarding the acquisition of the Air Bank Group by Moneta. The acquisition will be subject to the shareholders' approval at an extraordinary general meeting that will be held in June 2021. Moneta shareholders will be asked to approve the acquisition and the issuance of new shares to the Group.

The closing of the transaction will be subject to several regulatory approvals and antitrust clearance. Subsequent to the closing, the Group will hold an estimated 55.4% share in Moneta.

Key financial highlights

As of 31 December 2020, the total consolidated balance sheet amounted to EUR 39,658 million (2019: EUR 48,614 million). The Group's key driver behind the asset decrease is attributable mainly to the decrease in the Home Credit loan portfolio (approx. EUR 7 billion) as a direct impact of the Covid-19 pandemic. PPF banka´s total assets dropped by another EUR 3 billion, caused by a lower volume of repo operations with the central bank. Other segment assets remained comparable to 2019.

At the end of 2019, the consolidated equity of PPF Group N.V. amounted to EUR 8,517 million (2019: EUR 9,555 million). The drop in equity related to two significant items: a net loss and a negative FX translation revaluation caused by the devaluation of the majority of the Group´s functional currencies against the euro.

The consolidated net loss of the Group for 2020 reached EUR 291 million (2019: a EUR 1,005 million profit). The main source of the negative result is Home Credit (a EUR 584 million loss), having been heavily impacted by the pandemic. Telecommunications (PPF Telecom Group) as the second largest segment contributed a EUR 432 million profit; an increase by EUR 60 million compared to 2019.

Consolidated financial highlights, in millions of EUR

	2020	2019
Total operating income	5,740	6,792
Net profit/(loss)	(291)	1,005
Total assets	39,658	48,614
Total equity	8,517	9,555

Workforce

The rounded average number of employees during 2020 was 111,000 (2019: 142,000).

PPF Group's operations did not have any significant impact on the environment.

Composition of the board of directors

The size and composition of the board of directors and the combined experience and expertise of their members should as closely as possible fit the profile and strategy of the Company. This aim for the best fit, in combination with the availability of qualified candidates, resulted in PPF Group currently having a board of directors in which all three members are male. To increase gender diversity on the board of directors, in accordance with Article 2:276, Section 2 of the Dutch Civil Code, PPF Group intends to pay close attention to gender diversity in the process of recruiting and appointing future members of the board of directors. PPF Group will retain an active and open attitude as regards selecting female candidates. These principles apply also for the Supervisory Board.

Supervisory Board and Audit Committee

In February 2018, the shareholders of PPF Group N.V. established a Supervisory Board in compliance with the articles of association of PPF Group N.V. The shareholders of PPF Group N.V. have appointed Messrs. František Dostálek (designated as the Chairman), Kamil Ziegler and Lubomír Král the members of the Supervisory Board. The supervisory board supervises the board of directors of PPF Group N.V. and provides this body with any (un)solicited advice it deems appropriate within the best interest of PPF Group N.V.

The supervisory board may also establish special committees of its members or other persons or both. Based on the aforementioned authority, an audit committee (comprising of the same three members as the Supervisory Board) has been instantly established at PPF Group N.V. Regarding the fact that all conditions of the Dutch transposition of Article 39 (3) (a) of Directive 2006/43/EC are followed in case of the audit committee, two Group entities - CETIN Finance B.V. and PPF Financial Holdings B.V. as public interest entities are not obliged to establish their own audit committees because all related applicable requirements are followed by the Audit Committee at PPF Group N.V. level.

Code of conduct

PPF Group N.V. as the parent of the Group implemented a corporate compliance programme, which sets out the fundamental principles and rules of conduct for employees in the PPF Group and enables compliance checks and putting remedies in place when shortcomings are discovered or objectionable or illegal conduct identified. An important part of the programme is the PPF Group Code of Ethics that deals among other topics with the protection of human rights and the prevention of corrupt conduct in all PPF Group activities. Internal PPF Group policy on corporate compliance internal investigation further regulates how staff, managers and the management and supervisory bodies of the Group should proceed in case of suspicion, investigation and discovery of action which is unethical or improper and/or action which is contrary to legal regulations or the Code of Ethics of PPF Group.

Capital management

In 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, with the Czech National Bank as the consolidating supervisor. PPF banka was appointed as the responsible reporting entity for this Subgroup.

The Subroup 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 0.05% of its risk-weighted assets.

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

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

Financial instruments and risk management

The Group is exposed to various risks as a result of its activities, mainly: liquidity risk, market risks (interest rate risk, equity price risk, currency risk), credit risk and insurance risk.

Liquidity risk arises in the general funding of the Group's activities and in the management of its positions. The Group has access to a diverse funding base. Funds are raised using a broad range of instruments including deposits as well as other liabilities evidenced by paper, bank loans and shareholders' equity.

All financial instruments and positions are subject to market risk, i.e. the risk that future changes in market conditions may make an instrument more or less valuable. Exposure to market risk is formally managed by buying or selling instruments or entering into offsetting positions in accordance with risk limits or frameworks set by senior management at the level of the individual Group companies.

The Group is subject to credit risk through its trading, lending and investing activities and where it acts as an intermediary on behalf of third parties. The Group's primary exposure to credit risk arises through the purchase of debt securities and through the provision of loans and advances. Credit risk is managed at the level of the individual Group companies.

The Group carries an inventory of capital market instruments to manage those risks. Positions are opened in the money market, foreign exchange markets, debt and credit markets and equity markets based on expectations of future market conditions. As at 31 December 2020, the Group held financial instruments of EUR 19,228 million (excluding cash and cash equivalents). Of this amount, financial assets at fair value through profit or loss amounted to EUR 747 million; financial assets at fair value through other comprehensive income came to EUR 1,696 million, financial assets at amortised cost to EUR 1,045 million, and loans and receivables to EUR 15,740 million. Financial liabilities held by the Group include, in particular, liabilities due to non-banks totalling EUR 10,309 million, liabilities due to banks of EUR 11,036 million, debt securities issued amounting to EUR 4,768 million, subordinated liabilities of EUR 256 million and financial liabilities at fair value through profit or loss of EUR 776 million.

The Group holds derivative financial instruments for trading and for risk management purposes: swaps, futures, forwards, options and other similar types of contracts whose value changes in response to changes in interest rates, foreign exchange rates, security prices or price indices.

For detailed information on risk management, see Section C of the notes to the consolidated financial statements.

Approach to risks associated with the financial reporting

Pursuant to the Dutch legislation, the Company keeps its books in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. All subsidiaries, regardless of the accounting standard they use to prepare their individual financial statements, report data for PPF Group consolidation purposes according to IFRS.

Unified accounting policies followed by the subsidiaries are defined in the Group accounting manual in full compliance with generally applicable accounting standards. The standards are further supplemented with a set of auxiliary guidelines detailing specific technical and methodical areas of the accounting process.

On the Group level there is a strict division between accounting and reporting functions followed by appropriate segregation of duties within the internal review system.

The effectiveness of the Group's system of internal controls, the process of compiling PPF Group's separate financial statements and consolidated financial statements, and the process of auditing financial statements are also reviewed by the Supervisory Board, which conducts these activities as the Company governance body without prejudice to the responsibilities of board of directors.

Description of core business segments and their development in 2020

PPF Financial Holdings – Financial services

The company is the parent holding company of the group of companies ("FHO Group") that operates in the field of financial services. The FHO Group is composed of four main investments: Home Credit Group B.V., PPF banka a.s., ClearBank Ltd and Mobi Banka.

Consolidated financial highlights, in millions of EUR

	2020	2019
PPF Group's share	100%	100%
Total operating income	3,362	4,469
Net profit/(loss)	(555)	507
Total assets	24,760	35,060
Total equity	2,852	3,777

Home Credit Group B.V. ("Home Credit" or "HC Group") is a leading global consumer credit provider with a focus on emerging markets. Home Credit is the parent which holds the equity stakes in leading consumer finance companies in nine key focus countries which are clustered across five regions: Central and Eastern Europe ("CEE") which includes businesses in the Czech Republic and Slovakia; the Commonwealth of Independent States ("CIS"), which includes businesses in Russia and Kazakhstan; China; South and South East Asia ("SSEA"), which includes businesses in India, Indonesia, Philippines and Vietnam and Other, which includes projects or specific entities in other countries. The operating entities are regulated companies, fully licensed by a national government regulatory body and compliant with respective local laws. Home Credit holds banking licences in the Czech Republic, Russia and Kazakhstan.

The HC Group's mission is to transform the way its customers purchase and make the things that matter in their lives affordable in a convenient way through its omni-channel distribution model, both online and offline. In 2020, Home Credit accelerated its digital strategy with a focus on building long-term customer relationships. Home Credit also offers ancillary products and services such as relevant potential protection products and insurance from third parties. In addition, the HC Group has grown marketplaces across the group to provide its existing customer with offers on a frequent basis. The HC Group´s inclusive approach to lending services is enabled by superior data analytics and technology to process high volumes of data concerning potential customers' behaviour patterns and to gain strong predictive powers for deciding on potential loans.

Home Credit operates in countries with high growth potential with a combined population of approximately 3.4 billion, an above average GDP growth rate and low consumer finance penetration rate.

As at 31 December 2020, the companies held by Home Credit Group B.V. served almost 19 million active customers across their operations: the Czech Republic (operational since 1997), Slovakia (1999), the Russian Federation (2002), Kazakhstan (2005), China (2007), Vietnam (2009), India (2012), Indonesia (2013) and the Philippines (2013).

PPF banka a.s. (the "Bank") has been an integral part of PPF Group since 2002 and it significantly participates in its domestic and international activities. The Bank acts as PPF Group's treasury bank, conducting international payment operations for companies within PPF Group as well as providing underwriting and other investment services, such as brokering finance in the capital markets.

PPF banka's business objects comprise all types of banking transactions and the provision of banking and financial services together with related services, on both domestic and international markets. The Bank's services are primarily tailored to Czech clients in the municipal and corporate segments. The Bank specialises in trading on financial and capital markets in accordance with applicable legislation and on the basis of licences granted by the Czech National Bank.

The Bank is the market maker for the Czech government bonds, it is very active in the field of corporate bonds, foreign exchange markets and interest rate financial derivatives.

Mobi Banka a.d. Beograd, acquired in 2019, is a mobile and online bank based in Belgrade that provides its services primarily to retail customers in Serbia.

ClearBank Ltd. is a start-up bank that was licensed in the United Kingdom in 2016 and focuses on providing clearing services. The Company holds a minority interest in ClearBank Ltd.

Home Credit Group

Consolidated financial highlights, in millions of EUR

	2020	2019
PPF Group's effective share	91.12%	91.12%
Operating income	3,199	4,249
Net profit/(loss)	(584)	400
Total assets	18,518	26,590
Total equity	1,936	2,873

The HC Group's total assets declined by 30% from EUR 26.6 billion at the end of 2019 to EUR 18.5 billion at the end of 2020, driven by a 37% decline in net loans from EUR 20.2 billion to EUR 12.7 billion. This evolution was driven by a decrease in new volume on the back of lower consumption and more conservative risk underwriting. During a difficult year, new volumes declined 51% year-on-year to EUR 10.6 billion in 2020. New volumes were at their lowest during 2Q20 when most countries experienced their first Covid-19 wave and lockdowns. The average number of loans per day increased by 21% from 39,600 in 2Q20 to 47,900 in 4Q20. As a result, volumes in subsequent quarters increased steadily.

The HC Group also increased its liquidity buffer during this challenging year with liquid assets increasing from 18% of total assets at the end of 2019 to 23% at the end of 2020. This increase is to help the HC Group be prepared for the post Covid-19 environment.

While the HC Group's consolidated equity declined from EUR 2.9 billion at the end of 2019 to EUR 1.9 billion at the end of 2020 due to the financial results and FX movements, the equity to net loans ratio increased from 14.2% to 15.3%.

Home Credit closed 2020 with a net loss of EUR 584 million but started seeing early signs of recovery during the second half of 2020 with a net profit of EUR 35 million in the six months to end-December. The second-half results contrasted with a EUR 619 million net loss in the January-June period driven primarily by a EUR 1.8 billion increase in impairments to cover expected credit losses due to the negative impacts of the pandemic. The HC Group was keen to put the past behind during 1H20 and set the foundations for the HC Group to focus on new business opportunities. Swift adjustment to product features and underwriting criteria resulted in a rapid improvement in new loan vintage quality during the second half of the year.

Under the circumstances, Home Credit's consolidated operating income was solid at EUR 3.2 billion, down 25% from EUR 4.2 billion in 2019 in line with the portfolio decrease, while the group's net interest margin declined, from 15.5% in 2019 to 13.9% in 2020 as the group focused on providing shorter tenor loan to better borrowers. The cost of funds decreased from 7.5% in 2019 to 6.7% in 2020 as the group deleveraged and optimised its funding sources as a demonstration of the resilience of the business.

The cost of risk ratio increased from 8.6% in 2019 to 12.9% during 2020 to manage the pandemic´s impact on the portfolio. Despite difficult circumstances, the NPL ratio increased slightly to 6.4% in 2020 from 5.6% in 2019. However, the NPL coverage ratio strengthened to 197.3% in 2020 from 130.6% in 2019 and the allowance to gross loans increased from 7.33% at the end of 2019 to 12.66% at the end of 2020.

Operational cost decreased by 13.1% from EUR 1.8 billion in 2019 to EUR 1.6 billion in 2020 including one-off costs. Quarterly operating expenses at the end of the year were more than 23% lower than a in the last quarter of the previous year.

PPF banka

Individual financial highlights, in millions of EUR

	2020	2019
PPF Group's share	92.96%	92.96%
Operating income	161	149
Net profit	43	81
Total assets	6,468	8,932
Total equity	588	563

The after-tax profit in 2020 came to EUR 43 million, while total comprehensive income was reported at EUR 42 million. The difference between the two results, other income, can mainly be attributed to the fair value reserve (debt instruments measured at fair value through equity).

Operating income in 2020 was a record high EUR 161 million, up on 2019 after benefiting considerably from dividend income paid out by a subsidiary (EUR 15 million). Even discounting incoming dividends, operating income was still slightly higher than in the year previous.

Shareholders' equity rose by almost 4.4% to EUR 588 million on the back of the total profit.

Total assets at the end of 2020 stood at EUR 6.5 billion, a drop by EUR 2.4 billion year on year. This change is mainly concentrated in reverse repo operations with the central bank. The main source of financing within total equity and liabilities, deposits from customers, is quite stable and is spread evenly between demand deposits and term deposits. The overall change in the volume of liabilities therefore mainly reflects a change in business opportunities after a fall in interest rates on repo business with financial institutions.

One of the most significant items in the result for 2020, compared to the previous period, is the impairment loss on assets of EUR 66 million. With operating expenses stable, this impairment loss is the main reason for the 45% decrease in profit. The sharp hike in the loss allowance is the result of the pandemic-driven deterioration in the macroeconomic environment. This was reflected equally both in performing and non-performing exposures to advances to customers and in the impairment of financial instruments measured at fair value through other comprehensive income.

Net interest income decreased by 19% year on year, down from EUR 160 million in 2019 to EUR 124 million in 2020, mainly on account of a reduction in interest rates. Net fee and commission income in 2020 increased by EUR 3 million on 2019, primarily due to new administration services for clients. As in the previous year, the securities trading result was excellent at EUR 17 million. Compared to the year, there was also an increase of almost EUR 8 million in proceeds from the disposal of financial assets measured at fair value through other comprehensive income. The total net profit from financial operations in 2020 was an outstanding EUR 13 million. Compared to the previous year, the result from derivative trading and exchange rate differences offset the decrease in interest income.

Total operating expenses amounted to EUR 46 million. The slight overall decrease compared to the previous period can be attributed in particular to a reduction in other administrative expenses as a result of the lower operating result. Other operating expenses and their main component, the payment to the resolution fund, nudged up to EUR 12 million. Personnel expenses came to EUR 16 million, rising by 10% in response to the Bank's staffing strategy of renewing and strengthening the quality of the team.

Mobi Banka

Mobi Banka's strategic commitment is to continue developing innovative digital products through the synergy of telco and banking solutions, which will be available to clients primarily through mobile and online banking in Serbia. Its business synergy with Telenor telecommunications services in Serbia held by PPF Group is also unique. At present, it offers a full range of financial services for retail clients. In the sixth year of doing business, it has a constantly growing base of more than 550,000 clients and it managed assets worth EUR 205 million.

PPF Telecom Group - Telecommunications

Consolidated financial highlights, in millions of EUR

	2020	2019
PPF Group’s share	100%	100%
Total revenues	3,159	3,162
EBITDA	1,425	1,397
Net profit	432	372
Total assets	7,899	8,215
Total equity	1,836	2,261

PPF Telecom Group is an indirect subsidiary of PPF Group that serves as an umbrella for telecommunications networked a operator activities. The group provides services including mobile telecommunication, fixed-line telecommunication, telecommunications infrastructure, data services and internet television.

PPF Telecom Group operates through ten companies in six Central and East European countries, making it a medium-sized telecommunications group within the scope of Europe.

The Group’s O2 Czech Republic segment consists of the activities of O2 Czech Republic and its Czech subsidiaries (collectively, the “O2 CZ Group”), a leading fixed-mobile convergent telecommunications provider in the Czech Republic. The O2 CZ Group is a leading integrated telecommunications provider in the Czech Republic. The Group’s Slovakia segment consists of the activities of O2 Slovakia, s.r.o. (O2 Slovakia), a mobile telecommunications provider in Slovakia and a wholly owned subsidiary of O2 Czech Republic.

Telenor CEE entities provides telecommunications and mobile services and is a leading operator on the markets in Hungary, Bulgaria, Serbia and Montenegro.

The Group’s infrastructure segment in the Czech Republic (CETIN Czechia) consists of the activities of CETIN Czechia, the owner and operator of the incumbent and largest telecommunications network infrastructure in the Czech Republic, and its subsidiaries. CETIN Czechia acts as a wholesale provider of fixed and mobile telecommunications infrastructure to all telecommunications operators on an equal and transparent footing. CETIN Czechia divides its business activities into two main divisions: domestic network services and international transit services.

CETIN Hungary, CETIN Bulgaria and CETIN Serbia are the owners and operators of mobile telecommunications infrastructure in their respective countries, formerly owned and operated by Telenor Hungary, Telenor Bulgaria and Telenor Serbia.

In 2020, PPF Telecom Group has continued increasing the number and quality of its mobile customer base and growing and diversifying the portfolio of customers using the group’s infrastructure services.

As at 31 December 2020, PPF Telecom Group’s operating companies served a total of 18.3 million active mobile subscribers, an increase of 0.6% year over year. More importantly, the number of contract subscribers increased by 1.3% year over year and the share of contract customers in the base (excluding mobile-to-mobile) has increased in 2020 by 2 percentage points to 67%. This migration of customers to higher value contracts was the driver of further improving ARPU.

O2 CZ Group continued improving the quality and availability of its network services for customers in retail as well as corporate and government market segments.

CETIN Czechia continued improving the availability and the capacity of its mobile network in line with the growing demand for mobile data services, while upgrading its fixed network to NGA standards.

In Hungary, Bulgaria and Serbia the Group focused on aligning the operating model to the one successfully pioneered in Czechia in 2015, by separating the telecommunications infrastructure in these countries from Telenor operators that market and provide telecommunication services to end users. Separating thus also the management of the infrastructure businesses in these countries from the previously integrated operators and managing all infrastructure operators in the Group together as CETIN Group allows for better sharing of infrastructure know-how and provides the potential for combined research, development and long-term investments. In addition, CETIN Group intends to exploit potential synergies in operating and capital expenses. Similarly, the Telenor operators as streamlined, assets-light and service-oriented operators have been focused on driving their commercial performance further, with clearer management and investment priorities and exploring opportunities in fixed-mobile convergence.

The Group has invested in 5G spectrum licences in Czechia, Slovakia and Hungary, having acquired sufficient bandwidth for the next generation of mobile services to preserve its leading positions in these markets for years to come. Spectrum investments were financed by previously created cash reserves in Czechia and Slovakia and by a bank loan in Hungary.

The following table summarises the key non-financial information:

Mobile services

		1. O2 Czech Republic Segment	***2. O2 Slovakia Segment***	***4. Telenor Hungary Segment***	***6. Telenor Bulgaria Segment***	***8. Telenor Serbia and Montenegro Segment***	***Group***
mobile subscribers	thousands	5,968	2,230	3,449	3,468	3,215	18,330
y-o-y growth	*per cent*	*1.9%*	*3.8%*	*0.8%*	*(1.6%)*	*(1.5%)*	*0.6%*
mobile contract subscribers	per cent of total	63%	59%	68%	82%	60%	67%
y-o-y growth	percentage points	1	1	3	1	2	2
mobile ARPU	EUR	n/a	10.4	12.0	8.9	9.1	n/a
y-o-y growth	*per cent*	n/a	*2.2%*	*(2.1%)*	*6.8%*	*4.1%*	*n/a*

Fixed services

		1. O2 Czech Republic Segment	3. CETIN Czechia Segment
fixed broadband subscribers	thousands	855	n/a
y-o-y growth	*per cent*	*2.4%*	*n/a*
Pay TV subscribers	thousands	529	n/a
y-o-y growth	*per cent*	*19%*	*n/a*
fixed voice subscribers	thousands	403	n/a
y-o-y growth	*per cent*	*(13%)*	*n/a*
fixed lines clients	thousands	n/a	1,175
y-o-y growth	per cent	n/a	2.1%

CETIN Hungary, CETIN Bulgaria and CETIN Serbia provide wholesale infrastructure services to Telenor companies within PPF Telecom Group and do not have meaningful operational KPIs at the moment.

TV Bidco - Media

Consolidated financial highlights, in millions of EUR

	2020
PPF Group's share	100%
Total revenues*	179
Operating profit*	57
Net profit*	33
Total assets	2,078
Total equity	827

*since acquisition in October 2020

In October 2019, the Group through its indirect subsidiary TV Bidco B.V. 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.

CME is one of the leading media and entertainment companies in Central and Eastern Europe operating television stations in the Czech Republic, Romania, Slovakia, Slovenia and Bulgaria, each of which is considered a principal segment primarily based on geography. 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.

TV Bidco group operates 30 television channels broadcasting to approximately 45 million people across five markets in five Central and Eastern Europe. TV Bidco's objective is to foster growth by focusing on creating innovative local content and providing fresh formats through sophisticated, data-driven linear and digital channels. In combination with PPF Group's telco business, TV Bidco group is developing content and distribution synergies to offer value-added potential to every customer.

TV Bidco group develops and produces content for its television channels and subscription and advertising-based digital platforms. In order to solidify and support its market leader position, its strategic objective moving forward is to provide superior user experience by digitally transforming the company into an organization where data-driven digital platforms offer innovative, fresh and newly created local content as well as brand new programming formats to local audiences.

TV Bidco group is currently in the process of adding strong elements of B2C to the traditional B2B business model. The Group will develop multiple revenue streams that will offer diversity and sustainability for its shareholders. Future TV Bidco group investments will be directed into creating local content for linear and non-linear services as well as improving its digital footprint where growth is expected from customers who choose to subscribe to value added, content-on-demand services. TV Bidco group will also develop improved synergies and cooperation with the telecommunication sectors in order to expand distribution options for customers.

PPF Real Estate Holding - Real estate

Consolidated financial highlights, in millions of EUR

	2020	2019
PPF Group's share	100%	100%
Net profit	52	151
Total assets	2,199	2,379
Total equity	772	934

PPF Real Estate Holding is a PPF Group's company that manages and increases the value of real estate while seeking out new property opportunities. As a major developer and investor, it is cultivating a wide-ranging international portfolio of modern real estate projects with good prospects in prestigious locations.

The PPF Group's real estate portfolio managed by PPF Real Estate Holding includes projects in the Netherlands, the Czech Republic, Russia, Germany, the UK and other European countries. The company has continued to focus on the long-term stabilisation of assets in all markets where it operates.

Despite the global pandemic declared by end Q1 2020 which has had a severe macroeconomic impact worldwide, the Group's business proved to be highly resilient and experienced only minor and temporary negative impact due to Covid-19.

In 2020, the Group further actively consolidated its property portfolio and sold several smaller non-core projects mainly in Russia.

PPF Real Estate Holding actively assessed number of acquisition opportunities in countries where it currently operates and on new markets in Europe, as well as in the US. In 2020, the Group entered the US market and signed its first US office transaction (the acquisition was completed in Q1 2021).

PPF Group's real estate investments in the Netherlands comprise eight office buildings and one shopping centre. Altogether, they offer more than 160,000 m² to let in prestigious locations, and attract high-quality tenants.

In Russia, PPF Real Estate offers offices, shopping malls and logistics complexes, which it either fully owns or co-owns together with other leading investors, including the Hines Russia & Poland Fund. Together with Hines, PPF Group owns office buildings in Moscow's popular Metropolis business centre.

PPF Real Estate owns and operates one of the most famous and prestigious shopping centres in Saint Petersburg, the Nevsky Centre, with a total area of 91,000 m². The complex is located in the city's historical centre, at a junction where the largest thoroughfares intersect and in one of the liveliest places of the "cultural capital of Russia". Throughout 2020, PPF Real Estate Russia continued its work on the concept update and renovation of the Nevsky Centre. The Group also owns and operates a large shopping centre in Astrakhan with a total area of more than 36,000 m².

At Comcity business park in "New Moscow", the company is operating the initial stage of this project, offering 107,500 m² of office space and 7,600 m² of retail space. The project maintains very high occupancy rate and the premises had been let to large international and Russian companies, mainly from the telecommunication and IT sectors. The Comcity concept also incorporates green rest areas and a large shopping gallery, which includes a supermarket, restaurants, cafés and a gym.

PPF Real Estate continued to actively develop the second phase of the project, with a total area of over 100,000 m², which will include two office buildings and a four-star 150-room Comcity Novotel hotel operated by international operator AccorHotels. This second phase will also include a retail gallery and underground and surface parking and the commissioning is expected in 2022.

Next to Comcity business park, the company is developing homecity, a "business class" residential project, which will offer 1,500 flats/apartments, school, kindergarten and underground parking. Completion of this project is planned for 2022. This project has received several real estate awards.

In tandem with its long-term partner, Radius Group, PPF Real Estate is contributing to the development of one of the largest logistics parks in the southern part of the broader Moscow region. South Gate Industrial Park spreads out over an area of 144 ha. With an overall capacity of 653,000 m², it is an industry leader. Due to minimal vacancy in this logistics park, the platform started construction of another 43,000 m² warehouse which is to be completed in by Q2 2021.

In 2020, the Group entered into a new project in the UK real estate market. Together with a JV partner the Group intends to completely re-develop a currently vacant office building on a prominent riverside location in London City to offer brand new office space. The Group also owns and rents three Victorian-era houses in Bishopswood Road, London. The houses are modernised for 21st-century living, offering around 1,000 m² of accommodation each.

Škoda Transportation – Mechanical engineering

Consolidated financial highlights (before PPA adjustments), in millions of EUR

	2020	2019
PPF Group's share	87.8%	90%
Total revenues	417	386
Net loss	(54)	(15)
Total assets	985	953

Škoda Transportation is a traditional Czech engineering brand supplying top-class vehicles for operation in urban public transport systems and on railways to mature markets virtually all over the world.

Škoda Transportation has experienced a string of transformative episodes in its 160-year history, but its vision has remained constant: to offer people high-quality, safe and comfortable transport on their journeys. It also places a great emphasis on sustainability, ecology, and zero-emission vehicle drives. The Czech engineering company puts all these factors to use in its home-grown designs for rail and road vehicles around the whole world.

In 2020, Škoda Transportation built on its previous achievements to win new orders in the Czech Republic and abroad. In doing so, it pushed the backlog to more than four years. However, 2020 will be forever etched in history as the year of the COVID-19 pandemic. For the Škoda Transportation Group, this situation was proof that, even in the trying times of a crisis, long-term investments in rolling stock and wheeled green vehicles can have a major stabilising effect on business, the regions where it operates, and the economy at large. Needless to say, the Škoda Transportation Group's future success hinges on continued efforts to respond to the market's fleet expansion and modernisation needs.

One of the Škoda Transportation Group's key advantages is that it can customise the modern electric vehicles it makes. Over the past year, Škoda kept up the customary success it enjoys on many European markets. Thanks to its new orders, the Škoda Transportation Group has a healthy backlog that will keep it in work for the next four years. The biggest new orders in 2020 were mainly in the rolling stock segment. In January, a contract was signed for 37 six-car metro trains for Warsaw, with an option for another 8 trains. At the end of the year, the Czech Railways ordered 48 RegioPanter electric two- and three-car units. The Škoda Transportation Group entered into numerous contracts with Czech and foreign cities for new trolleybuses. One particularly large order was for the delivery of 30 trolleybuses to Sofia, Bulgaria.

Škoda Transportation Group has an intensive development programme under way focusing on future sustainable transport vehicles. Through its own R&D efforts, it is now expanding its product portfolio to include additional rolling stock, with a focus on electric drives and alternative energy sources. Current investments are expanding production capacity, with the company looking to recruit more than 2,000 new employees. The Škoda Transportation Group's manufacturing operations in Ostrava expanded considerably in 2020 when ŠKODA Vagonka started building a new section of its Nová Vagonka production base worth CZK 1 billion. This will double the size of the production site and the number of employees. It is already home to the largest machining centre in Europe. In the middle of the year, a contract for the takeover of Ekova Electric was signed in Ostrava. A new competence centre will be established at this company, with further large-scale investments subsequently beckoning. Other major investments were made in Plzeň and Šumperk.

At all sites where it operates, it supports CSR activities and cooperates with technically-oriented universities in the areas of research and development and modern production methods.

TEMSA– Mechanical engineering

In October, 2020, ExSa, a subsidiary of Turkey's Sabancı Holding, and PPF IndustryCo B.V., a member of PPF Group, completed all official procedures for acquisition of Temsa Transportation Vehicles. PPF Group, through this investment, will strengthen its presence in Turkish market, bringing the know-how and experience of Škoda Transportation, a leading European manufacturer of vehicles for city and railway transport. TEMSA also intends to grow fast in Central and Eastern Europe, thanks to the partnership with PPF and Škoda Transportation.

TEMSA is a long-established Turkish bus manufacturer. Founded in 1968, manufacturing buses since 1987. Temsa's production site in Adana – with an area of 500km2, 113km2 of which is covered – has an annual production capacity of 10,000 vehicles (4,000 buses and 6,000 light trucks). A leader in the domestic market, Temsa also exports to more than 60 countries worldwide. It has subsidiaries in Germany, France and the USA, to support sales and provide after-sales services. The company has a wide product range which includes city buses, intercity buses, coaches and light trucks, all available in various sizes and different engine types. An important local employer, with over 1,300 employees and the first official bus R&D center in Turkey.

PPF Group and Sabanci Holding each hold a 50% stake in TEMSA.

PPF Life Insurance (Russia) - Insurance

Individual financial highlights, in millions of EUR

	2020	2019
PPF Group's share	100%	100%
Gross written premium	52.5	55.5
Net profit	4.7	3.9
Total equity	41.8	47.3

PPF Life Insurance belongs to the most active and stable providers of life insurance services in Russia, especially in specific life insurance segments, which are currently the main drivers of the country's life insurance market.

The total volume of premiums written in 2020 grew year on year by 8.2% to RUB 4,346 million (EUR 52.5 million), mainly due to the efficient operation of the company's branch (agency) network throughout Russia. The company is No 2 in Russia in terms of premiums collected via the agents' network, and No 3 in terms of number of standard savings life insurance policies in the company's portfolio.

In 2020, the company kept growing, with the total number of insurance agents reaching 8,000. Compared to 2019, the number of insurance contracts concluded by the company's clients was up by 4%.

Other assets

O2 arena

The O2 arena is one of the most modern multipurpose arenas in Europe and, with a capacity of 20,000 seats, it is the largest facility of its kind in the Czech Republic. It forms a unique complex with O2 universum, a multifunctional congress and cultural centre. Offering flexibility of space and an experienced organising team, the two venues host momentous cultural, sports, conferencing and corporate events for domestic and international audiences. A modern lifestyle hotel complementing the two multipurpose buildings, Stages Hotel Prague, and a large-capacity multistorey car park are scheduled to open at the end of 2021.

In the first few weeks of 2020, the O2 arena hosted a number of impressive domestic and international acts, including Adam Plachetka, Marek Ztracený, Maluma and the Kelly Family. In sport, the extraliga ice-hockey club HC Sparta Prague played its home matches at the O2 arena. However, one of the highlights of the extraliga competition, the play-offs, had to be cancelled because of the pandemic. All other events – concerts, conferences and corporate functions – scheduled up to the end of the calendar year gradually followed suit.

The protracted unplanned break in normal activities was an opportunity to concentrate on repairs and renovation work. The VIP areas were overhauled – the refurbishment of the Skyboxes was completed and the floors and walls of the Club Floor were renovated. The reconstruction of the former Business Ring – now the Meeting Hub – was a very significant investment. On the first floor of the O2 arena, 18 smaller halls with their own natural light have been created and can be rented for many different kinds of events. Their direct connection to the rest of O2 universum expands the total capacity of this complex to 39 halls.

Events taking place in the halls of O2 universum in the early months of 2020 included Comic-Con, Lindemann and corporate functions. In the second half of the year in particular, Hall B – the second largest hall – was used as a unique online studio for virtual congresses and conferences in response to the pandemic and the ban on mass events. This was the venue, for example, of the National Economic Conference and the Winter Classic press conference.

Stages Hotel Prague, a hotel with a remarkably designed circular floor plan, will cap off the comprehensive range of services available at the O2 arena and O2 universum by offering 300 rooms (including 27 suites), 6 meeting rooms, and a stylish restaurant, bar and café.

In parallel with the construction of the hotel, the surrounding area, including the existing road between the O2 arena and the hotel, is being transformed into a pedestrian zone, due for completion at the same time as the hotel. These modifications will make a telling contribution to the further improvement and cultivation of this part of the Praha 9 district. The immediate vicinity of the O2 arena, O2 universum and Stages Hotel Prague will thus form a modern and fresh centre point for this borough.

MALL Group

MALL Group is Central and Eastern Europe's biggest e-commerce group, with a portfolio combining four main areas: traditional e-commerce, online grocery sales, internet television, and financial services for online shopping. The group draws together more than two dozen e-shops. The MALL Group's strategy is to create an entire shopping-centric platform of expanding services and features so that it becomes synonymous with 21st-century e-commerce.

Operating in nine countries and employing over four thousand staff, MALL Group serves 160 million people across Central and Eastern Europe. The year 2020 gave a tremendous boost to the entire e-commerce industry, and MALL Group was no exception. E-commerce's share of retail continues to increase and, in terms of speed, the group gained at least a year on its plans.

The group's vision is for customers to be able to find everything they want to buy online as they browse its shops and, in doing so, to enjoy the very best services the market has to offer. The most important MALL Group companies include the MALL online shopping gallery, which operates not only in the Czech Republic, but also in Slovakia, Poland, Hungary, Slovenia and Croatia, along with CZC.cz (one of the largest online computer technology and electronics stores in the Czech Republic), and Vivantis.cz (specialising in the sale of branded clothing and footwear, sportswear, fashion accessories, cosmetics and perfumes). Košík.cz is also becoming increasingly popular among customers, with 15,000 items of food, drugstore goods and pet supplies now on offer.

In 2020, the group reported turnover of CZK 22.2 billion (EUR 840 million), up 28% on the previous calendar year. Altogether, it delivered over 11 million orders to 4.9 million unique customers. Last year, MALL focused on developing its online marketplace and the MALL Partner programme, consolidating its position as the e-shop with the widest range of merchandise on the Czech market. At the end of the year, there were more than 1.5 million products to choose from.

MALL Pay, a fin-tech start-up, adds to the convenience of shopping. In 2020, this payment service was used by 208,000 clients and the number of transactions grew by almost 100% year on year. By the end of 2020, the MALL Pay button had been integrated into more than 155 e-shops.

Despite the adversity rife in society in the past year, 2020 was a boom year for production and viewership at MALL.TV, the only internet television station in the Czech Republic and Slovakia to systematically make live-action programmes. It responded to the first wave of emergency measures by launching the #kulturažije series of over 250 live broadcasts and recordings of concerts, theatre performances and other cultural events. Views more than doubled year on year, climbing from 3.1 million in December 2019 to 7.7 million in the same period last year.

The Group acquired a 40% stake in both businesses (MALL/HEUREKA) in October 2017. The residual shareholders are EC Investments (40%) and Rockaway (20%).

HEUREKA Group

Heureka Group is building the largest marketplace in the CEE region. It is currently Europe's largest shopping guide and price comparator. Operating in nine markets in Central and Eastern Europe, Heureka Group's websites are visited monthly by over 23 million users, who can choose from 55,000 e-shops. Besides the Czech and Slovak services, Heureka Group also includes Árukereső.hu in Hungary, Compari.ro in Romania, Pazaruvaj.com in Bulgaria, Ceneje.si in Slovenia, Jetfinije.hr in Croatia, Idealno.rs in Serbia, and Idealno.ba in Bosnia.

Average monthly traffic to Heureka Group websites grew by 10% year on year in the first half of last year. In doing so, it attained the average annual growth reported for previous years even before the peak season had been reached. In the peak season, Heureka recorded record-breaking numbers after epidemic measures pushed customers into the online environment. Heureka Group's websites passed a hundred million visits in November 2020.

One of the ways Heureka Group has bolstered its long-term goal of consolidating its position as an e-commerce leader within the region is by making acquisitions. The acquisition of Testuj.to in the autumn gave Heureka simple software that actively works with customer communities and allows for quick review-based feedback. Reviews and ratings are a core Heureka Group service. Dataweps, another acquisition in March 2021, means that Heureka is able to offer e-shops quality tools to manage Heureka. This will help to reinforce Heureka's position as a robust partner for e-shops.

CzechToll

CzechToll, a part of PPF Group, built and – since 1 December 2019 – has been operating a modern satellite toll system in the Czech Republic for vehicles weighing over 3.5 tonnes. This modern technology has enabled the state to improve its control of road traffic and efficiently manage its transport infrastructure.

CzechToll was set up in order to move forward with PPF Group's long-term strategic plans for telecommunications infrastructure. It teamed up with SkyToll, a Slovak company that operates electronic tolls and runs a system enabling passenger cars to pay for their motorway use with electronic vignettes. This project became the world's first ever generational replacement of an electronic toll system. The electronic toll system was created entirely in the Czech Republic thanks to contributions from some one hundred Czech companies. The reliable technology and the entire team's experience saw the system launch smoothly, free of major traffic disruption and without any downtime in toll collection. The new system is three times cheaper to run than the old technology, which has been used in the Czech Republic until 2019, with the country's budget saving CZK 1 billion annually, following the implementation of such system. CzechToll's toll system proved to be one of the most efficient in the world, according to some indicators, like TCR being around five per cent.

In December 2020, the CzechToll satellite toll system celebrated its first anniversary of operation. During the year, it recorded almost a billion toll transactions. Between them, vehicles weighing more than 3.5 tonnes covered more than 3.2 billion kilometres on toll roads. The system's 60 check gates screened 397 million vehicles passing through them and detected 300,000 toll offences.

SOTIO (research and development)

SOTIO is biotechnology company that joined PPF Group in 2012. It is managing all PPF Group's activities in biotechnology sector, by building a diversified portfolio of immuno-oncology products based on its own research and development, cooperation with partners, licensing agreements, investments, mergers and acquisitions. The company's final aim is to develop new methods of treatment of cancer and help patients with this harmful disease. SOTIO has operations in Europe, the US, China and Russia.

SOTIO's robust clinical pipeline includes a differentiated superagonist of the attractive immuno-oncology target IL-15 (developed by SOTIO in collaboration with its affiliated company Cytune Pharma), as well as a platform to streamline personalized active immune cell therapies (DCVAC), CAR T platform and a new generation of potent and stable antibody-drug conjugates (ADCs). SOTIO verifies the safety and efficacy of its innovative products in a number of Phase I to III clinical trials. Since 2012, company has initiated thirteen clinical studies in Europe and the US focusing on patients with solid tumors, especially those with ovarian, lung and prostate cancer. SOTIO is the first ever Czech company to reach phase III of clinical development.

In August 2020 SOTIO acquired rights to BOXR CAR-T platform and products from US biotechnology company Unum Therapeutics and started to build a T cell therapy R&D Center of Excellence in Cambridge, Massachusetts. Lead BOXR1030 program is expected to initiate first clinical studies at the end of 2021.

SOTIO also manages PPF Group's investments in the UK biotechnology company Autolus Therapeutics and the Swiss company Cellestia Biotech. PPF Group's stake in Autolus increased in 2020 and now represents around 28%.

At the end of 2020, PPF sold its stake in NBE-Therapeutics, a company developing innovative ADC products for the treatment of solid tumours, to the leading global pharmaceutical company Boehringer Ingelheim. This deal, the largest of its kind to be witnessed in Europe in ten years, showed the value of antibody-drug conjugates that SOTIO maintains in its portfolio and that it continues to develop. These products could reach their first patients in 2022 in the first phase of clinical trials.

Social responsibility

PPF Group has, for a long time, engaged in CSR activities. This includes its support of a number of charitable projects, which it pursues in all the 25 countries in which it operates. In 2020, companies from PPF Group in the Czech Republic donated over EUR 20 million in total.

The CSR projects supported by PPF Group are predominantly focused on education and culture in the countries in which it operates. The majority of its CSR activities, including donations, occur in the Czech Republic, where the Group is one of the largest private benefactors of non-profit projects.

PPF Group provides support internationally through its own projects and foundations that have consistently focused on specific areas by tapping into their expertise, capitalising on their line or place of business, and working with the public sector and communities.

In 2019, it has established PPF Foundation, which finds and supports exceptional initiatives, initially in the Czech Republic. Its purpose is to contribute to the development of civil society and support: the development of non-profit organizations; registered associations and institutes; community development; and projects that promote a plurality of opinions, culture, and art, including the protection of historical monuments. The Foundation also supports projects which promote transatlantic relations, for example NATO Days or The Transatlantic Centre within The CEVRO Institute, which studies the relationship between the Czech Republic and the USA.

Covid-19 related initiatives

Helping to fight the global Covid-19 pandemic has also been a special focus of PPF Group's CSR activities during the last year. From the very beginning, it has provided support in the form of medical supplies, mainly PPE, which was critically lacking in 14 countries, including the USA. The organisation donated almost 9 million pieces of protective materials as well as more than 50 machines for artificial lung ventilation. The value of this assistance amounted to EUR 8 million. Other PPF Group's companies, be it telecoms or e-commerce or engineering, provided further assistance worth tens of millions of euro, in the form of discounts, charitable initiatives or donations.

Through PPF Foundation, PPF Group provided financial support to MICo Medical, a Czech company that develops and manufactures CoroVent lung ventilators based on its initial development at the Czech Technical University. PPF Group then has donated 50 CoroVent lung ventilators, worth CZK 10 million (EUR 0.4 million), to the Ministry of Health of the Czech Republic, in order to distribute them to university hospitals.

PPF Group's companies, which are major advertisers in the Czech market, as well as TV NOVA popular television channel, shared their advertising space and capacities in favour of important messages related to emergency situation, following the outbreak of the pandemic.

Home Credit

In 2020, Home Credit Group undertook a major step towards adopting its global ESG (Environmental, Social and Governance) policy, reflecting worldwide trends as well as existing Group's initiatives, rules and standards being implemented already in particular markets.

Home Credit's corporate social responsibility approach is centered on promoting financial inclusion, and specifically on creating the conditions to facilitate financially inclusive societies. The HC Group understands that its place in the financial industry gives it an important role in enhancing financial inclusion since it is often the first touchpoint for people who encounter the regulated financial system. The HC Group activities fall under three broad pillars: (i) education, and financial literacy in particular; (ii) poverty reduction; and (iii) direct aid to the communities.

In 2020, the HC Group engaged in over 46 programs in various form and reached over 2,6 million people in communities. Home Credit also encourages and support its employees in their own charitable contributions, such as devoting work time for volunteer activities, matching employee donations for selected projects, and providing non-profit organizations with its professional expertise.

The HC Group's financial literacy education initiatives have won plaudits from governments and NGOs for their use of modern methods such gamification and targeted lessons on customer mobile apps in a majority of markets where Group operates.

In 2020, Home Credit strived to help local communities affected by the Covid-19 pandemic. In total, the HC Group has distributed over 55 tons of emergency medical equipment, including 8.5 million pieces of respirators and masks, 300,000 test kits, 650,000 pairs of gloves, tens of thousands of coveralls, protective goggles and thermometers. In addition, the company has donated and distributed food and financial aid to affected areas. The Group also assisted communities hit by natural disasters in the Philippines, India and Vietnam through donations.

In China, the HC Group key market, Home Credit acted early to aid in easing the impact of Covid-19 on communities. In all, Home Credit has donated RMB 1 million to the Hubei Province Charity Federation and provided RMB 1 million to support its employees and their families in Hubei Province. The Groups also matched any additional employee contributions for this cause and donated 7.5 tons of emergency medical supplies jointly with Sotio (a PPF Group biotech company), with a value of approximately RMB 1.5 million. These supplies included protective masks, suits, gloves, goggles and respirators.

The HC Group's reputation and integrity are among its most important assets and have been instrumental to its business success. Therefore, the HC Group designed and implemented its Code of Business Conduct and Ethics, in relevant entities. The purpose of the code is to promote honest, ethical and professional business conduct and to ensure compliance with the law, regulations, rules, related self-regulatory organizational standards and codes of conduct applicable to the HC Group's activities worldwide in order to protect its business and reputation and the best interests of shareholders and other stakeholders.

Telecommunications

In 2020, the Group's telecommunication companies, including CETIN, O2 and Telenor, provided assistance worth tens of millions of euro, in the form of discounts or free tariffs for data services, following the unprecedented changes related to Covid-19 pandemic. As a matter of policy, health and safety of employees and customers remains a top priority for PPF Telecom Group, with helping others being a part of human and corporate responsibility.

Across all Group's markets, PPF Telecom Group immediately started helping the communities by a range of telecommunications services provided for free or with a symbolic price only. By extra allowances of free data, the Group's companies helped clients in need to cope with the situation of lockdown, with their working from home and tuition of children at homes. For the period of lockdown the telecommunications companies of PPF Group provided free access to a range of TV channels, e-books and online learning channels for home schooling. The operators also facilitated broadcasting of important government's emergency messages to all clients for free, establishing free helplines and support facilities. Where relevant, they also extended payment terms for elderly and disabled people and provided equipment for online schooling to most disadvantaged pupils and students. For example, CETIN and O2 Czech Republic started a partnership with non-profit Cesko.Digital, providing free broadband services for families lacking funds for such services, which will help eliminate the digital divide in the Czech Republic.

Besides helping the communities in the area of telecommunications, PPF Telecom Group also contributed to providing assistance to the society through donations of protective equipment for healthcare workers and vulnerable families, donations of vital medical equipment for hospitals, raising money for health services. In Hungary, Bulgaria, Serbia and Montenegro, the local Telenor-branded companies made the donations, accompanied by a range of volunteer activities of their employees.

Alongside with this emergency help, telecommunications companies of PPF Group kept pursuing their long-term CSR activities focused on Internet safety, online education, IT research and development and support of children and elderly people, mainly through foundations established in several countries where PPF Telecom Group operates.

Support of the Czech culture

PPF Group is one of the first privately owned companies to have systematically focused on supporting the arts since the 1990s. Its support has helped to save and create many unique works of arts and projects, predominantly in the Czech Republic.

PPF Art was founded in 1995 as a hub for PPF Group's activities involving and collecting works of visual art. PPF Art manages what is likely the largest private Czech collection of Czech and Slovak photography, amounting to 2,150 works by more than 200 artists.

PPF Art operates Prague's Václav Špála Gallery, focusing on contemporary art, and manages its exhibition programming. Besides managing its collection of works by globally renowned Czech photographer Josef Sudek, PPF Art also operates the Josef Sudek Studio gallery on the site of Sudek's former studio in Prague, which was restored with PPF's assistance.

PPF Group is the long-running general partner of the Summer Shakespeare Festival, the oldest and largest open-air theatre festival in Europe to focus on Shakespeare's works. PPF has been also the general partner of a popular the Jára Cimrman Theatre in Prague since 1999. In recent years, PPF Group has supported the Czech Philharmonic and its distinctive sound by acquiring instruments for the orchestra's violin section that have been crafted by master instrument makers.

Recent events, commercial and financial outlook

It is difficult to predict the financial performance for 2021 in a highly unstable environment. The coronavirus pandemic continues to impact mainly the financial segment of the Group business in early 2021. On the other hand, the potential one-off effects related to the contemplated transactions, as with MONETA Money Bank, may also have a significant effect on the Group's results.

On 27 March 2021, the founder and majority shareholder of PPF Group Petr Kellner tragically passed away in a helicopter accident in the Alaskan mountains. Ladislav Bartoníček, one of PPF Group's shareholders was appointed to manage all PPF Group's activities as CEO. PPF Group will continue moving forward in its investment plans and visions formulated by Petr Kellner with his team of colleagues.

14 May 2021

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

PPF GROUP N.V.

Consolidated financial statements for the year ended 31 December 2020

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Glossary

AC	- amortised cost
CGU	- cash generating unit
EAD	- exposure at default
EBITDA	- earnings before interest, tax, depreciation and amortisation
ECL	- expected credit loss
FLI	- forward-looking information
FV	- fair value
FVOCI	- fair value through other comprehensive income
FVTPL	- fair value through profit or loss
FX	- foreign exchange
IBNR	- provision for claims incurred but not reported
IPRD	- in-progress research and development
JV	- joint venture
LAT	- liability adequacy test
LGD	- loss given default
LTV	- loan to value
NCI	- non-controlling interests
OCI	- other comprehensive income
OTC	- over the counter
PD	- probability of default
PL	- profit or loss
POCI	- purchased or originated credit impaired
PPE	- property, plant and equipment
PVFP	- present value of future profits
RBNS	- provision for claims reported but not settled
ROU	- right-of-use assets
SICR	- significant increase in credit risk

Consolidated statement of financial position

In millions of EUR

	Note	31 December 2020	31 December 2019
ASSETS			
Cash and cash equivalents	E1	6,388	9,824
Investment securities	E2	3,488	2,836
Loans and receivables due from banks and other financial institutions	E3	475	582
Loans due from customers	E4	14,206	21,754
Trade and other receivables	E5	1,059	1,051
Contract assets	E5	297	287
Current tax assets		24	33
Inventories	E6	243	216
Equity-accounted investees	E7	897	884
Investment property	E8	1,791	2,002
Property, plant and equipment	E9	3,789	3,862
Goodwill	E10.1	2,955	1,659
Intangible assets	E10.2	2,684	2,593
Programming assets	E6	156	-
Deferred tax assets	E39.2	702	479
Other assets	E11	504	552
TOTAL ASSETS		**39,658**	**48,614**
LIABILITIES			
Financial liabilities at FVTPL	E12	776	530
Due to non-banks	E13	10,309	12,829
Due to banks and other financial institutions	E14	11,036	16,885
Debt securities issued	E15	4,768	4,337
Subordinated liabilities	E16	256	264
Current tax liabilities		60	49
Trade and other payables	E17	2,663	2,923
Contract liabilities	E5	352	277
Provisions	E18	338	326
Deferred tax liabilities	E39.2	583	639
TOTAL LIABILITIES		**31,141**	**39,059**
EQUITY			
Issued capital	E19	1	1
Share premium	E19	677	677
Other reserves	E20	(553)	115
Retained earnings		7,790	8,004
Total equity attributable to owners of the Parent		7,915	8,797
Non-controlling interests	E21	602	758
Total equity		**8,517**	**9,555**
TOTAL LIABILITIES AND EQUITY		**39,658**	**48,614**

Consolidated income statement

For the year ended 31 December

In millions of EUR

	Note	2020	2019
Interest income		4,388	5,569
Interest expense		(1,547)	(1,893)
Net interest income	E24	**2,841**	**3,676**
Fee and commission income		435	672
Fee and commission expense		(193)	(201)
Net fee and commission income	E25	**242**	**471**
Net earned premiums		70	75
Net insurance benefits and claims		(34)	(35)
Acquisition costs		(15)	(17)
Net insurance income	E28	**21**	**23**
Net rental and related income	E29	156	191
Property operating expenses		(24)	(30)
Net valuation gain/(loss) on investment property	E8	91	121
Net income related to construction contracts		3	-
Profit/(loss) on disposal of investment property		3	3
Net real estate income		**229**	**285**
Telecommunications income		3,156	3,159
Telecommunications expenses		(1,076)	(1,077)
Net telecommunications income	E30	**2,080**	**2,082**
Media income		179	-
Media expenses		(70)	-
Net media income	E31	**109**	**-**
Mechanical engineering income		419	388
Mechanical engineering expenses		(253)	(232)
Net mechanical engineering income	E32	**166**	**156**
Toll operations income		32	91
Toll operations expenses		(13)	(87)
Net toll operations income	E33	**19**	**4**
Net gain/(loss) on financial assets	E26	(72)	(133)
Net agriculture income	E34	12	4
Other income	E35	93	224
TOTAL OPERATING INCOME		**5,740**	**6,792**
Net impairment losses on financial assets	E27	(2,449)	(1,839)
Personnel expenses	E36	(1,458)	(1,627)
Depreciation and amortisation	E37	(923)	(909)
Other operating expenses	E36	(1,263)	(1,046)
Profit/(loss) on disposals/liquidations of equity-accounted investees and subsidiaries	B2	(7)	(5)
Share of profit/(loss) of equity-accounted investees, net of tax		70	37
PROFIT/(LOSS) BEFORE TAX		**(290)**	**1,403**
Income tax expense	E39.1	(1)	(398)
NET PROFIT/(LOSS) FOR THE PERIOD		**(291)**	**1,005**
Profit/(loss) attributable to:			
Owners of the Parent		(249)	935
Non-controlling interests	E21	(42)	70

Consolidated statement of comprehensive income

For the year ended 31 December

In millions of EUR

	2020	2019
NET PROFIT/(LOSS) FOR THE PERIOD	**(291)**	**1,005**
Other comprehensive income/(expense)		
Valuation gains/(losses) on FVOCI equity instruments	56	215
Valuation gains/(losses) on FVOCI debt securities*	12	41
FVOCI revaluation (gains)/losses transferred to income statement*	(11)	(4)
Foreign operations - currency translation differences*	(648)	191
Effect of movement in equity of equity-accounted investees*	(68)	(166)
Disposal of subsidiaries and equity-accounted investees*	8	(2)
Cash flow hedge – effective portion of changes in fair value*	1	(2)
Net change in fair value of CF hedges transferred to income statement*	(3)	8
Income tax relating to components of other comprehensive income*	1	(8)
Other comprehensive income/(expense) for the period (net of tax)	**(652)**	**273**
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD	**(943)**	**1,278**
Total comprehensive income/(expense) attributable to:		
Owners of the Parent	(821)	1,193
Non-controlling interests	(122)	85

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

Consolidated statement of changes in equity

In millions of EUR

	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 NCI	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	-	-	-	-	-	-	-	(249)	(249)	(42)	(291)
Currency translation differences	-	-	-	-	(572)	-	-	-	(572)	(76)	(648)
FVOCI revaluation gains/(losses) taken to equity	-	-	70	-	-	-	-	-	70	(2)	68
FVOCI revaluation (gains)/losses transferred to income statement	-	-	(11)	-	-	-	-	-	(11)	-	(11)
FVOCI revaluation (gains)/losses transferred directly to retained earnings	-	-	(102)	-	-	-	-	102	-	-	-
Effect of hedge accounting	-	-	-	-	-	1	-	-	1	-	1
Net change in fair value of CF hedges transferred to income statement	-	-	-	-	-	(3)	-	-	(3)	-	(3)
Effect of movement in equity of equity-accounted investees	-	-	-	-	(41)	(31)	4	-	(68)	-	(68)
Disposal and deconsolidation of subsidiaries	-	-	-	-	10	-	-	-	10	(2)	8
Tax on items taken directly to or transferred from equity	-	-	-	-	-	1	-	-	1	-	1
Total comprehensive income/(expense) for the period	**-**	**-**	**(43)**	**-**	**(603)**	**(32)**	**4**	**(147)**	**(821)**	**(122)**	**(943)**
Net allocation to legal and statutory reserves	-	-	-	6	-	-	-	(6)	-	-	-
Dividends to shareholders	-	-	-	-	-	-	-	(30)	(30)	-	(30)
Dividends to NCI	-	-	-	-	-	-	-	-	-	(33)	(33)
Acquisition of NCI	-	-	-	-	-	-	-	-	-	1	1
Contributions by NCI	-	-	-	-	-	-	-	-	-	10	10
Other changes in NCI	-	-	-	-	-	-	-	(15)	(15)	(12)	(27)
Other	-	-	-	-	-	-	-	(16)	(16)	-	(16)
Total transactions with owners of the Company	**-**	**-**	**-**	**6**	**-**	**-**	**-**	**(67)**	**(61)**	**(34)**	**(95)**
Balance as at 31 December 2020	**1**	**677**	**86**	**164**	**(1,144)**	**158**	**183**	**7,790**	**7,915**	**602**	**8,517**

Consolidated statement of changes in equity

In millions of EUR

	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 NCI	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	-	-	-	-	-	-	-	935	935	70	1,005
Currency translation differences	-	-	-	-	179	-	-	-	179	12	191
FVOCI revaluation gains/(losses) taken to equity	-	-	254	-	-	-	-	-	254	2	256
FVOCI revaluation (gains)/losses transferred to income statement	-	-	(4)	-	-	-	-	-	(4)	-	(4)
FVOCI revaluation (gains)/losses transferred directly to retained earnings	-	-	19	-	-	-	-	(19)	-	-	-
Effect of hedge accounting	-	-	-	-	-	(2)	-	-	(2)	-	(2)
Net change in fair value of CF hedges transferred to income statement	-	-	-	-	-	7	-	-	7	1	8
Effect of movement in equity of equity-accounted investees	-	-	-	-	24	(185)	(5)	-	(166)	-	(166)
Disposal and deconsolidation of subsidiaries	-	-	-	-	(2)	-	-	-	(2)	-	(2)
Tax on items taken directly to or transferred from equity	-	-	(7)	-	-	(1)	-	-	(8)	-	(8)
Total comprehensive income for the period	**-**	**-**	**262**	**-**	**201**	**(181)**	**(5)**	**916**	**1,193**	**85**	**1,278**
Net allocation to legal and statutory reserves	-	-	-	29	-	-	-	(29)	-	-	-
Dividends to shareholders	-	-	-	-	-	-	-	(60)	(60)	-	(60)
Dividends to NCI	-	-	-	-	-	-	-	-		(34)	(34)
Acquisition of NCI	-	-	-	-	-	-	-	53	53	277	330
Contributions by NCI	-	-	-	-	-	-	-	-	-	11	11
Other changes in NCI	-	-	-	-	-	-	-	(54)	(54)	4	(50)
Issue of AT1 subordinated bond	-	-	-	-	-	-	181	-	181	-	181
Other	-	-	-	-	-	-	7	(8)	(1)	-	(1)
Total transactions with owners of the Company	**-**	**-**	**-**	**29**	**-**	**-**	**188**	**(98)**	**119**	**258**	**377**
Balance as at 31 December 2019	**1**	**677**	**129**	**158**	**(541)**	**190**	**179**	**8,004**	**8,797**	**758**	**9,555**

Consolidated statement of cash flows

For the year ended 31 December, prepared using the indirect method

In millions of EUR

	Notes	2020	2019 (restated)
Cash flows from operating activities			
Profit/(loss) before tax		(290)	1,403
Adjustments for:			
Depreciation and amortisation		923	909
Impairment losses on goodwill		14	-
Impairment of current and non-current assets	E27	2,598	1,848
(Profit)/loss on disposal of PPE, intangible assets and investment property		(2)	(1)
(Profit)/loss on sale of investment securities		43	62
(Gains)/losses on disposals of equity-accounted investees and subsidiaries		7	5
Interest expense	E24	1,547	1,893
Interest income	E24	(4,388)	(5,569)
Net foreign exchange (gains)/losses		461	926
Other (income)/expenses not involving movements of cash		(136)	(193)
Gain on bargain purchase	E35	-	(38)
Interest received		4,304	5,968
Change in loans and receivables due from banks and other financial institutions		36	(239)
Change in loans due from customers		3,730	(5,556)
Change in trade and other receivables		77	(237)
Change in contract assets		(10)	(10)
Change in other assets		(17)	(104)
Change in liabilities due to non-banks		(1,596)	657
Change in financial liabilities at FVTPL		201	(240)
Change in trade and other payables		(383)	210
Income tax paid		(290)	(460)
Net cash from/(used in) operating activities		**6,829**	**1,234**
Cash flows from investing activities			
Purchase of PPE and intangible assets	E9, E10	(904)	(707)
Dividends received		12	27
Purchase of financial assets at FVTPL		(602)	(440)
Purchase of financial assets at AC		(374)	(47)
Purchase of financial assets FVOCI		(2,383)	(1,546)
Purchase of investments property		(44)	(22)
Acquisition of subsidiaries and equity-acc. investees, net of cash acquired (incl. capital increase)*	B2	(1,833)	(320)
Proceeds from disposals of PPE and intangible assets		29	27
Proceeds from financial assets at FVTPL		258	572
Proceeds from financial assets at AC		18	87
Proceeds from sale of financial assets FVOCI		2,404	1,986
Proceeds from sale of financial assets at FVTPL not held for trading		-	173
Proceeds from sale of assets and liabilities held for sale		2	-
Proceeds from sale of investment property		5	14
Proceeds from disposal of subsidiaries and equity-acc. investees, net of cash disposed (incl. capital decrease)*	B2	58	124
Net cash from/(used in) investing activities		**(3,354)**	**(72)**

*cash-flows from capital increase/decrease presented relate only to transactions with the equity-accounted investees

	Notes	2020	2019 (restated)
Cash flows from financing activities			
Proceeds from the issue of debt securities		2,398	3,082
Proceeds from liabilities due to banks and other financial institutions		8,936	17,595
Repayment of debt securities		(1,860)	(1,514)
Repayment of liabilities due to banks and other financial institutions		(14,294)	(19,361)
Interest paid		(1,477)	(1,685)
Cash payments for principal portion of lease liability		(132)	(136)
Dividends paid to shareholders		(30)	(60)
Dividends paid to non-controlling interest		(33)	(34)
Proceeds from issue of other equity instruments	E20	-	181
Payments related to other equity instruments		(15)	-
Proceeds from sale of subsidiaries to NCI	B2	7	334
Payments for purchase of subsidiaries from NCI		(27)	-
Contributions by NCI		10	-
Cash flow from/(used in) financing activities	**E23**	**(6,517)**	**(1,598)**
Net increase/(decrease) in cash and cash equivalents		**(3,042)**	**(436)**
Cash and cash equivalents as at 1 January		**9,824**	**10,120**
Effect of exchange rate movements on cash and cash equivalents		(394)	140
Cash and cash equivalents as at 31 December		**6,388**	**9,824**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

A. General

A.1. Description of the Group

PPF Group N.V. (the “Parent Company” or the “Parent”) is a company domiciled in the Netherlands. It invests in multiple market segments such as financial services, telecommunications and media, real estate, insurance, mechanical engineering and biotechnology. Its activities span from Europe to the Russian Federation, the US, and across Asia.

The consolidated financial statements of the Parent Company for the year ended 31 December 2020 comprise the Parent Company and its subsidiaries (together the “PPF Group” or the “Group”) and the Group’s interests in associates, joint ventures and affiliated entities. For a listing of significant Group entities and changes to the Group in 2020 and 2019, please refer to Section B of these consolidated financial statements.

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

As at 31 December 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 consolidated financial statements were authorised for issue by the board of directors and the supervisory board on 14 May 2021.

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union (IFRS-EU) including the International Accounting Standards (IAS), promulgated by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB and with Section 2:362(8) of the Dutch Civil Code.

The financial statements of the Company have been prepared on the basis of the going concern assumption.

The Company has also prepared separate financial statements for the year ended 31 December 2020, which have been prepared in accordance with IFRSs, including IASs, promulgated by the IASB and interpretations issued by the IFRIC of the IASB as adopted by the European Union and with Section 2:362(8) of the Dutch Civil Code.

Changes to significant accounting policies are described in Note F.2.

A.3. Basis of measurement

The Group decided to present a consolidated 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 consolidated financial statements have been prepared on a historical cost basis, except for the following assets and liabilities stated at their fair value: derivative financial instruments, financial instruments at FVTPL (incl. those designated upon initial recognition as at FVTPL), financial instruments at FVOCI and investment property. Financial assets and liabilities as well as non-financial assets and liabilities measured at historical cost are stated at AC 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). From 1 January 2020, in determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs. The Group has the option to apply a ‘concentration test’ that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

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 a bargain purchases is immediately recognised in profit or loss (refer to F.1.15.1). Transaction costs are expensed as incurred, expect if related to the issue of debt or equity securities.

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

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

A.4. Use of judgements and estimates

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

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

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 (refer to F.1.14, F.1.15);
- in-progress research and development recognised as intangible asset (refer to E.10);
- the fair value of investment property (refer to E.8);
- the fair value of financial instruments (refer to C.7);
- impairment of financial instruments, trade receivables and contract assets (refer to E.1-E.5);
- consumption and impairment of programming assets (refer to F.1.16);
- provisions recognised under liabilities (refer to E.18);
- the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits (refer to E.39);
- 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.30-E.32);
- commissions as costs to obtain contracts with customers and stand-alone selling prices (refer to E.5, E.30-E33);
- contingent assets/liabilities (E.40);
- lease-term for the lessee accounting whether the Group is reasonably certain to exercise extension options (refer to E.22).

A.5. Basis of consolidation

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

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

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

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

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

The consolidated 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 EUR 68 million as other liabilities. In 2020, the Group decided to improve the presentation to better reflect the substance of these items and reclassified EUR 37 million as liabilities due to non-banks and EUR 31 million 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 EUR 78 million as investment securities at AC. As the underlying assets of these bills of exchange are loans to corporations, to better reflect the substance, the Group reclassified these bills of exchange to loans due from customers in the presented comparative numbers as at 31 December 2019. The related impairment allowance was nil.

A.8. Presentation of cash flows from changes in ownership of subsidiaries without a change in control

During the year 2020, the Group concluded that in 2019 the proceeds from sale of subsidiaries to NCI, was not presented in accordance with IAS 7.42A-B, as cash flows from financing activities in the consolidated statement of cash-flows.

Following this conclusion, the Group, in the comparative consolidated statement of cash flows for the year 2019, changed the presentation and reclassified the proceeds from sale of subsidiaries to NCI of EUR 334 million. This resulted in a total change of the presented net cash from/(used in) investing activities of EUR 262 million (positive) to EUR 72 million (negative), and in a total change of the presented net cash used in financing activities of EUR 1,932 million to EUR 1,598 million.

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. Aiming to limit the effects of any possible operational risks, the Group has been following and observing business continuity protocols, as the health of the Group's employees and clients is its priority.

The slowdown in economic growth was substantial, and the adverse effects on new business were significant, mainly within the Group's financial segment. Increased loss events had an impact on the quality of retail and corporate loan portfolios especially in early 2020, with the situation improving in the second half of the year. Limitations of opening hours and/or complete lock-downs of certain business premises in the countries the Group operates in have impacted the volume of new business and the renewal of existing business relationships.

The impact on the Group´s risk evaluation, risk modelling techniques and accounting policies is described in section F.2.1.

The Group has sufficient funds available and does not expect to have issues in meeting its obligations when they become due. During 2020, the Group managed to raise various funding from external parties and renewed the Group's syndicated bank loan, which shows the lending banks' confidence in the Group's future performance. The Group is closely monitoring the Covid-19-related development in the countries of its operation to mitigate any potential breaches of covenants.

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

B. Consolidated group and 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 31 December 2020 and 2019.

Company	Domicile	Effective proportion of ownership interest 31 December 2020	Effective proportion of ownership interest 31 December 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.	Netherland	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.	Netherland	91.12%	91.12%
Home Credit Consumer Finance Co. Ltd.	China	91.12%	91.12%
Home Credit Group B.V.	Netherland	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%
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%
Ruconfin B.V.**	Netherlands	-	92.96%
PPF Financial Holdings subgroup - associates			
ClearBank Ltd.	United Kingdom	40.61%	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 Bulgaria EAD****	Bulgaria	100.00%	-
CETIN d.o.o. Beograd-Novi Beograd****	Serbia	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%
CETIN Hungary Zrt.****	Hungary	75.00%	-

Company	Domicile	Effective proportion of ownership interest	
		31 December 2020	31 December 2019
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%
TMT Hungary Infra B.V.****	Netherlands	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	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%
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%

Company	Domicile	Effective proportion of ownership interest	
		31 December 2020	31 December 2019
Mitino Sport City LLC	Netherlands	-	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%
TEMSA ULASIM ARACLARI SANAYI VE TICARET A.S.	Turkey	43.90%	-
Media subgroup - subsidiaries			
TV Bidco B.V.	Netherlands	100.00%	100.00%
BTV Media Group EAD	Bulgaria	94.00%	-
CME Services s.r.o.	Czech Republic	100.00%	-
MARKIZA-SLOVAKIA, spol. s r.o.	Slovakia	100.00%	-
PRO PLUS d.o.o.	Romania	100.00%	-
Pro TV S.R.L.	Slovenia	100.00%	-
TV Nova s.r.o.	Czech Republic	100.00%	-
Other significant subsidiaries			
Bavella B.V.	Netherlands	100.00%	100.00%
Bestsport, a.s.	Czech Republic	100.00%	100.00%
BONAK a.s.	Czech Republic	100.00%	100.00%
Cytune Pharma SAS	France	96.00%	96.00%
CzechToll s.r.o.	Czech Republic	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%
The Culture Trip Ltd. *(associate in 2019)*	United Kingdom	85.54%	43.69%
Vox Ventures B.V.	Netherlands	100.00%	100.00%
Other significant associates/joint ventures			
Heureka Group a.s.	Czech Republic	40.00%	40.00%
LEAG Holding a.s.	Czech Republic	50.00%	50.00%
Lausitz Energie Verwaltungs GmbH	Germany	50.00%	50.00%

Company	Domicile	Effective proportion of ownership interest	
		31 December 2020	31 December 2019
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%
NBE – Therapeutics AG***	Switzerland	26.04%	-

*merged with AB 4 B.V.
**merged with PPFCo3 B.V.
***reclassified to/from FVOCI
****companies newly established as the result of a business restructuring (refer to B.3.4)
*****as of 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 was 81.06%.

The principal place of business corresponds to the domicile of the 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	Monheim Property B.V.

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

B.2.1. Acquisition of London office building

In June 2020, through its newly established joint venture with an external partner, the Group acquired a 100% stake in MiddleCap Seal House Ltd. The entity owns the currently vacant London office building Seal House. This undertaking will involve the complete rebuilding or reconstruction of the building. The Group consolidates this 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.

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:

In millions of EUR

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

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 the full stake amounted to EUR 17 million.

In the group's consolidated accounts, it is accounted for using the equity method. The consolidated income statement includes a share in Temsa's financial performance since the acquisition.

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

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

In millions of EUR, as at 31 October 2020

Fair value of assets	229
Fair value of liabilities	185
Fair value of identifiable net assets	**44**

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

In millions of EUR

Effective ownership	50%
Fair value of identifiable net assets	44
Net asset value attributable to the Group's share	22
Purchase price	8
Gain on a bargain purchase	14

Gain on a bargain purchase was attributable to the following facts: Temsa got into financial problems in 2019 after change of ownership to a Swiss fund. Temsa was not able to repay its liabilities, production was interrupted, and the process of seeking for a new strategic and business-oriented partner started. The transaction documents were signed in April 2020 and finalised in October 2020 together with a financial restructuring based on a long-term business plan agreed with the banks.

B.2.4. Acquisition of Central European Media Enterprises

Through its indirect subsidiary, on 27 October 2019, the Group through its indirect subsidiary signed an agreement with Central European Media Enterprises Ltd. ("CME"), a company listed on NASDAQ/Prague Stock Exchange, to acquire CME. This transaction was subject to the customary closing conditions, including approval by CME's 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 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 control over CME's media and entertainment operations in the Bulgaria, Czech Republic, Romania, Slovak Republic and Slovenia. The Group plans to aim 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 prepared a purchase price allocation exercise (PPA) to identify the fair value of the acquired assets and assumed liabilities. Assets and liabilities denominated in foreign currencies were translated using the exchange rate valid as at the acquisition date. The acquired business was divided into five cash-generating units based on the geographic location of individual operations and unallocated corporate costs. Consequently, the acquired assets and assumed liabilities of the individual units were restated to their respective fair values. The difference between the allocated purchase price and the fair values of identified assets and liabilities resulted in the recognition of goodwill.

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

Transaction date		13 October 2020
Significant entities and stakes acquired		
BTV Media Group EAD	Bulgaria	94%
TV Nova s.r.o.	Czech Republic	100%
Pro TV S.R.L.	Romania	100%
MARKÍZA-SLOVAKIA, spol. s r.o.	Slovak Republic	100%
PRO PLUS d.o.o.	Slovenia	100%

The total consideration amounts to EUR 1,825 million. It comprises payments of EUR 1,296 million for the acquisition of shares and EUR 529 million as a shareholder loan to repay part of the current CME Group debt.

The acquisition is financed with a mix of equity and debt. The debt component consists of a EUR 1,100 million senior secured term loan and a EUR 50 million revolving acquisition facility. The facilities have been fully underwritten by BNP Paribas, Crédit Agricole CIB, Credit Suisse, HSBC, Société Générale and UniCredit.

Key assumptions and valuation approach

As the acquired businesses are television broadcasting companies, the key asset categories acquired in the acquisition were programming rights, trademarks associated with the brands and fixed assets. Major fixed asset categories reported on the balance sheet are land and buildings, other machinery and equipment, including production related assets, and software.

Since each asset category has different characteristics, different asset valuation methods were used. The income approach was applied to measure the fair value of brands and some real estate assets. The market approach was applied for vehicles and some other real estate assets where appropriate. The cost approach was applied primarily to equipment, furniture and software. A combination of the income approach, the market approach and the cost approach were applied to measure the fair value of acquired and own-produced programming rights based on the specific characteristics of the relevant programming rights in each territory.

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

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

In millions of EUR

Fair value of assets (excluding goodwill)	**688**
Cash and cash equivalents	68
Trade and other receivables	141
Property, plant and equipment	111
Intangible assets	206
Programming assets	155
Other assets	7
Fair value of liabilities	**725**
Due to banks and other financial institutions	529
Trade and other payables	89
Programming liabilities	39
Deferred tax liability	23
Other liabilities	45
Fair value of identifiable net assets	**(37)**
Non-controlling interest	(5)

Trade receivables comprise gross contractual amounts due of EUR 149 million, whereas on the acquisition date, the collection of EUR 8 million was expected to be doubtful.

Goodwill arising from the acquisition has been recognised as follows:

In millions of EUR

Total consideration	1,296
Non-controlling interests	(5)
Fair value of identifiable net assets	(37)
Goodwill	1,328

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

In the period from the acquisition date to 31 December 2020, the consolidated CME entities contributed revenue of EUR 179 million and profit of EUR 33 million to the Group's results. If the acquisition had occurred on 1 January 2020 consolidated revenue would have increased to approximately EUR 591 million and profit to approximately EUR 90 million.

B.2.5. Changes in real estate projects (in 2020)

In July 2020, the Group sold Mitino Sport City LLC for a consideration of EUR 24 million. The total loss from the sale of the entity amounted to EUR 4 million.

B.2.6. Future acquisition of hotel operator in Rotterdam

In December 2020, the Group signed an agreement with Tower Hotel Rotterdam (a hotel operator), the anchor tenant in the Millenium Tower building owned by the Group, for the future acquisition of the hotel operations. The closing of this transaction is scheduled for December 2021 and the purchase price is linked to EBITDA achieved by the operator in 2021. In the meantime, the Group has provided the seller with operational bridge financing and a consolidation loan to settle existing minority shareholders, both totalling EUR 5 million.

B.2.7. Acquisition of a Serbian bank (in 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 EUR 11 million and a loss of EUR 3 million 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.2.8. 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.2.9. 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 EUR 105 million. Total profit from the sale of the entity amounted to EUR 3 million.

B.2.10. 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 2019, it acquired a total of 9.3 million treasury shares for the total acquisition price of EUR 92 million. This caused a difference between the direct legal share held by the Group and the effective economic ownership. In November 2020, O2 CR cancelled the treasury shares, resulting in the alignment of the direct legal and economic shares.

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 following arrangements valid as of 31 December 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 share if PPF Financial Holdings is able to achieve a pre-agreed internal rate of return on its investment in Home Credit Group calculated for the period (a) from 31 December 2018 until 31 December 2023 in case of no Home Credit listing and (b) from the Home Credit listing date until 31 December 2023.

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

B.3.4. Telecommunication business restructuring

As at 1 July 2020, the Group completed the separation of the retail and infrastructure sections at three of its Telenor-branded mobile operators in Bulgaria, Hungary, and Serbia. The newly established companies are CETIN Hungary (with its direct holding entity TMT Hungary Infra), CETIN Bulgaria, and CETIN Serbia. In December 2020 and January 2021, the Group finalised the legal restructuring by including all newly established CETIN businesses under CETIN Group B.V., the historical direct owner of CETIN CR. The ownership percentage structure has not changed, and the new companies are fully consolidated in the Group’s financial statements.

C. Risk exposures, risk management objectives and procedures

This section provides details on the Group's exposure to risks and describes the methods used by the management to control the risks. The most important types of financial risks to which the Group is exposed are the credit, market, operational and liquidity risks. Market risk includes mainly currency risk and interest rate risk.

The board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. Due to the varying nature of the Group's businesses and associated risks the senior management of each business segment is responsible for setting up and monitoring the risk management policies. The board of directors and the Group's senior management, including shareholders, regularly perform business reviews of individual business segments, including an assessment of the risk management.

In 2015, PPF Group restructured its consumer finance and corporate banking business represented by Home Credit (including Air Bank) and PPF banka under PPF Financial Holdings B.V., a new holding entity. It established the group risk committee and mandated it to assist the board of directors in the risk management area. The group risk committee designs and implements the risk management framework. The group risk committee approves the main risk management internal regulations such as the group risk management framework, the internal capital adequacy assessment framework, and the internal liquidity assessment framework. The group risk committee also approves the counterparty exposure limits for the largest counterparties.

As the most significant part of the Group's financial operations, the Home Credit subgroup ("Home Credit Group") established the function of chief risk officer (CRO) to head the Home Credit Group's risk management department. The Home Credit Group also established two risk-related committees: the asset liability committee (ALCO) and the group operational risk management committee. Home Credit Group's CRO and the committees are responsible for the development, implementation, and monitoring of risk management in their specified areas.

PPF banka a.s. and Air Bank a.s. established the function of chief risk officer to head the independent risk management function in the respective banks. Telecommunication entities have their own separate credit management units.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, set appropriate risk limits and controls, and monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and in the products and services offered. Through its training and management standards and procedures, the Group aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Management of risk arising from participation in foreign subsidiaries and from financial instruments is fundamental to the Group's business and is an essential element of its operations. Major risks related to participation in foreign subsidiaries include the risk of impairment due to adverse economic conditions, movements in foreign exchange rates, and liquidity risk given the strong growth in emerging markets. Those risks are managed by the Group by monitoring developments in foreign markets, using a robust investment decision-making process, and exercising prudence in liquidity management. The Group faces financial instrument risk in conjunction with credit exposures, movements in interest rates and foreign exchange rates.

Risk management policies at other significant associates/JVs are determined by the controlling shareholder(s) and/or other major shareholders. The Group regularly monitors and analyses the situation at said associates/JVs as a minority shareholder exercising its significant influence through its existing representatives in the respective executive bodies.

C.1. Derivative financial instruments

The Group holds a variety of derivative financial instruments for trading and risk management purposes. This note describes the derivatives used by the Group. Further details of the Group's objectives and strategies in the use of derivatives are set out in the following sections. The nature of the derivative instruments outstanding at the reporting date is described in the following sections of this note.

Derivative financial instruments used by the Group include swaps, futures, forwards, options and other similar contracts whose value changes in response to changes in interest rates, foreign exchange rates, security prices and/or price indices. Derivatives are either standardised contracts transacted through regulated exchanges (referred to as exchange-traded products) or individually negotiated over-the-counter contracts (referred to as OTC products). The principal types of derivative instruments used by the Group are described below.

C.1.1. Swaps

Swaps are over-the-counter agreements between the Group and other parties to exchange future cash flows based upon agreed notional amounts. The swaps most commonly used by the Group are interest rate and currency swaps. Under interest rate swaps, the Group agrees with other parties to exchange, at specified intervals, the difference between fixed-rate and floating-rate interest amounts calculated by reference to an agreed notional amount. Currency swaps require an exchange of interest payment flows and capital amounts in different currencies. The Group is subject to credit risk arising from default of the respective counterparties. Market risk arises from potentially unfavourable movements in interest rates relative to the rates set in the contract, or from movements in foreign exchange rates.

C.1.2. Futures and forwards

Forward contracts are commitments to either purchase or sell a designated financial instrument, currency, commodity or index at a specified future date for a specified price and may be settled in cash or another financial asset. Forward contracts result in credit exposure to the counterparty and exposure to market risk based on changes in market prices relative to the contracted amounts.

C.1.3. Options

Options are derivative financial instruments that give the buyer, in exchange for a premium payment, the right, but not the obligation, to either purchase from (call option) or sell to (put option) the writer a specified underlying instrument at a specified price on or before a specified date. The Group enters into interest rate options, foreign exchange options, equity and index options and credit failure options (swaps). Interest rate options, including caps and floors, may be used as hedges against a rise or fall in interest rates. They provide protection against changes in interest rates of floating rate instruments above or below a specified level. Foreign currency options may also be used (commensurate with the type of option) to hedge against rising or falling currency rates. As a buyer of over-the-counter options, the Group is subject to market risk and credit risk since the counterparty is obliged to make payments under the terms of the contract if the Group exercises the option. As a writer of over-the-counter options, the Group is subject to market risk, as it is obliged to make payments if the option is exercised by the counterparty.

C.1.4. Other derivatives

In connection with some significant acquisitions, the Group negotiated various over-the-counter contracts. Those existing at the reporting date are recognised at fair value using external or internal valuations.

C.2. Credit risk

Credit risk is the risk of financial loss occurring because a borrower or a counterparty fail to discharge their contractual obligations to the Group. The majority of the Group's exposure to credit risk arises in connection with the provision of consumer financing to private individual customers (Home Credit Group). Other significant businesses affected by credit risk are corporate banking (PPF banka) and telecommunications business (O2 CR, CETIN entities and Telenor entities).

C.2.1. Home Credit Group (including Air Bank)

For risk management purposes, the Home Credit Group classifies the loans made to individual customers into several classes, the most significant of which are cash loans, consumer loans, revolving loans, car loans and mortgage loans. This core part of the Group's loan portfolio consists of a large number of loans with relatively low outstanding amounts.

The board of directors has delegated responsibility for the management of credit risk to the Home Credit Group credit risk department. This department is responsible for overseeing the Group's credit risk, including:

- formulating credit risk policies in consultation with business units covering credit assessment, underwriting policies, collection policies, and risk reporting by business unit and loan classes;
- establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to the management of the various business units, while large exposures and new types of exposures require Home Credit Group approval. The Home Credit Group uses one central loan administration system to facilitate loan underwriting;
- continuous monitoring of performance of the Home Credit Group's individual credit exposures by country, product class and distribution channel;
- limiting of concentrations of credit exposures by country, product class and distribution channel;
- approving counterparty limits for financial institutions;
- reviewing business units' compliance with agreed exposure limits;
- providing advice, guidance and specialist skills to business units to promote best practice throughout the Home Credit Group in the management of credit risk.

The Home Credit Group continuously monitors the performance of individual credit exposures at both individual business unit and Home Credit Group levels using several criteria, including delinquency rates, default rates, and collection efficiency metrics. The Home Credit Group has an active fraud prevention and detection programme. Credit risk developments are reported by the Home Credit Group credit risk department to the board of directors on a regular basis.

The Group operates its business in multiple geographies. Some of them suffered economic downturns in recent years. The Group developed tools and rapid response guidelines expected to significantly limit major credit losses resulting from an economic downturn. These actions include specific adjustments of the underwriting decision making, pricing and collections strategies.

Credit underwriting process

The credit underwriting process involves the verification of customer data, combined with sophisticated scoring models that consider both risk and profitability to determine whether an applicant is eligible for a product and, if so, at what price.

Information supplied by the applicant may be cross checked with information in the Group's customer database for the relevant country. Consumer loans are provided with minimum documentation from the customer. Applications for other products, in particular cash loans, require more supporting documentation and verification. If the standards set by the Group are not being adhered to, the Group discontinues selling through the relevant retailer's employee or the relevant retailer.

Fraud prevention

The Group has developed a set of tools aimed at fraud prevention, detection and investigation that keep the levels of fraud risk observed low. The focus is on the tight monitoring of the sales process and proper design of the incentive models. Other tools include cross checks and the verification of application data provided by the customer, biometrical ID verification tools and use of third-party data in the underwriting process. The use of specific tools varies, based on their availability in the respective market and on the legal and regulatory framework.

General loan collection

The Group's loan collection system follows standard steps and procedures, which may vary depending on country-specific requirements and the legal and operational tools available for collection.

Pre-collection measures

Various forms of communication are used to remind customers how and when to pay – e.g. welcome letters (or calls) – and SMS reminders are sent to customers a short time prior to payment due dates.

Early collection

The early collection procedures vary depending on which specific collection segment a customer is assigned to, based on exposure, customer account data and previous collection behaviour. These procedures are typically applied to payments which are 5 to 75 days overdue. The Group uses SMS messages, outbound calls, letters and interactive voice response tools to communicate with customers to remind them of, and procure, the overdue amounts.

Administrative and personal collection

The Group sends the customer written correspondence including a warning that the full amount of the loan could be declared immediately due and payable if a loan reaches a higher stage of delinquency, with outstanding payments typically more than 60 to 90 days overdue (the point in time at which a loan moves from early collection to administrative and personal collection may vary). Letters are then followed by a call explaining to the customer the consequences of not repaying the debt.

Late collection

Late collection procedures are usually initiated when a loan becomes 90 days overdue. Usage of external agencies or internal field collector methods is typically considered.

Legal collection, debt sale

Loans with outstanding repayments that have been overdue for more than 360 days are referred to the Group's external legal counsel, who informs the customer through formal correspondence that the loan is closed and that legal action will commence against the customer. As an alternative, debt selling to collection agencies may also be considered. The approval authority for any debt sale in the Group rests with the ALCO.

C.2.2. PPF banka (the "Bank")

The board of directors has partially delegated the responsibility for the management of credit risk to the credit committee. A separate credit risk management department, reporting to the credit committee, is responsible for the oversight of the Bank's credit risk similar to the Home Credit Group procedures mentioned above, but with business specifics representing limiting concentrations of exposure to counterparties, geographies and segments (for loans and advances), and by issuer, credit rating band, market liquidity and country (for investment securities).

Since 2014, the Bank has calculated the capital requirement for the credit risk of the investment portfolio using a standardised approach in accordance with the Basel III standard and the Regulation of the European Parliament and of the Council on Prudential Requirements for Credit Institutions and Investment Firms.

Loans with renegotiated terms and the Group's forbearance policy

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to the current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value.

The Group has implemented a new forbearance methodology according to the EBA regulation. Exposures with forbearance are exposures where the debtor is considered unable to comply with the contract due to financial difficulties and the Group has decided to grant a concession to the debtor. A forbearance measure may be either a modification of terms and conditions or the refinancing of the contract. A modification of terms includes payment schedule changes (deferrals or reductions of regular payments, extended maturities, etc.), interest rate reductions or penalty interest waivers.

The Group renegotiates loans to customers in financial difficulties (referred to as forbearance activities) to maximise collection opportunities and minimise the risk of default. Under the Group's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on the debt or if there is a high risk of default, there is evidence that the debtor has made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

C.2.3. Telecommunications

For telecommunications, business credit risk is managed by the credit management units of relevant entities and is based on three main activities:

- prevention: scoring of new customers – regular monitoring of customers' payment morale, activation of control procedures (integrated black list, external credit registers, and other external information databases), limits and/or deposits applied based on customer segments or the product, credit limits for indirect sales partners (dealers, distributors, franchises) for the purchase of our products, collateral security (deposits, receivables insurance, bills of exchange, pledges of real estate, bank guarantees etc.).
- monitoring of accounts receivables: regular monitoring of the creditworthiness of existing customers and monitoring and analysing of the receivable aging structure (internal and external indicators of any potential bad debts). These activities are processed in an integrated system solution for the scoring, maintenance and collection of receivables.
- collection process: credit management units cooperate with the customer care units in the implementation of a reasonable, effective and continual collection process. Collection process competences are allocated separately. In the CETIN subgroup, collection from active customers is in the competence of the accounting unit; subsequent collection is the responsibility of the treasury unit, the legal unit, and the accounting unit. In other segments, collection from active customers is in the competence of the customer care unit; any collection after contracts are cancelled falls within the responsibility of the credit management unit.

C.2.4. Concentration of credit risk

The following tables show the economic and geographic concentration of credit risk. The figures for 2020 below and in the whole C section exclude the fair value hedge adjustments of positive EUR 14 million for Loans due from customers and negative EUR 10 million for bonds under Investment securities (refer to C.4.4):

In millions of EUR, as at 31 December

	2020	2020	2019	2019
Economic concentration				
Households/individuals	14,412	53.48%	21,116	56.35%
Financial services	7,598	28.19%	12,226	32.62%
Public sector	2,447	9.08%	1,445	3.86%
Corporate sector	1,718	6.37%	1,810	4.83%
Mechanical engineering	418	1.55%	417	1.11%
Construction and real estate	345	1.28%	394	1.05%
Other	12	0.05%	68	0.18%
Total	**26,950**	**100.00%**	**37,476**	**100.00%**
Geographic concentration				
Czech Republic	10,307	38.24%	12,204	32.56%
China	7,459	27.68%	13,060	34.85%
Russia	3,212	11.92%	4,910	13.10%
Vietnam	830	3.08%	952	2.54%
Kazakhstan	777	2.88%	1,039	2.77%
Slovakia	713	2.65%	628	1.68%
Cyprus	353	1.31%	437	1.17%
Netherlands	86	0.32%	37	0.10%
Other EU countries	1,306	4.85%	1,375	3.67%
Other	1,907	7.07%	2,834	7.56%
Total	**26,950**	**100.00%**	**37,476**	**100.00%**
Of which:				
Loans due from customers*	14,192	52.66%	21,754	58.05%
Cash and cash equivalents (excl. cash on hand)	6,250	23.19%	9,657	25.77%
Investment securities**	2,918	10.83%	2,229	5.95%
Loan commitments and guarantees (off-balance sheet)	1,674	6.21%	1,812	4.84%
Trade and other receivables***	1,121	4.16%	1,140	3.04%
Loans and receivables due from banks and other financial institutions	475	1.76%	582	1.55%
Contract assets	297	1.10%	287	0.77%
Hedging derivatives	23	0.09%	15	0.03%

*in 2020, excl. total FV hedge adjustment of positive EUR 14 million (refer to C.4.4)
**excl. equity securities and hedging derivatives and, in 2020, FV hedge adjustment of negative EUR 10 million (refer to C.4.4)
***incl. cash collateral for payment cards and receivables from sale of shares in subsidiaries, associates and JVs (refer to E.11)

The amounts in the tables represent the maximum accounting loss that would be recognised at the reporting date if the counterparts failed completely to meet their obligations and any collateral or security proved to be of no value. The amounts, therefore, greatly exceed the expected losses included in the allowance for uncollectibility. The table comprises off-balance sheet items (refer to E.40.1) and financial assets other than equity securities.

Credit quality and collateral received

The following table summarises information about the credit quality of the Group's loan exposure:

In millions of EUR, as at 31 December 2020

Loan exposure	Loans due from customers*	Loans and receivables due from banks and other financial institutions
Gross amount	16,110	475
Stage 1	11,760	475
Stage 2	3,184	-
Stage 3	1,166	-
Allowance for impairment	(1,930)	-
Carrying amount	**14,180**	**475**

*Loans due from customers excluding loans and advances provided under repo operations and others (applies hereinafter in this section) and, in 2020, excl. total FV hedge adjustment of positive EUR 14 million (refer to C.4.4).

In millions of EUR, as at 31 December 2019

Loan exposure	Loans due from customers*	Loans and receivables due from banks and other financial institutions
Gross amount	23,380	583
Stage 1	19,830	583
Stage 2	2,209	-
Stage 3	1,341	-
Allowance for impairment	(1,639)	(1)
Carrying amount	**21,741**	**582**

*Loans due from customers excluding loans and advances provided under repo operations and others (applies hereinafter in this section).

The Group holds collateral for loans and advances to non-banks in the form of mortgage interests over property, debt and/or equity securities and received guarantees. Collateral for loans and advances to banks is held mainly under reverse repos and as a part of securities borrowing activities. There are no overdue loans to banks.

All of these transactions are conducted at arm's length.

In millions of EUR, as at 31 December 2020

Fair value of collateral received	Loans due from customers		Loans and receivables due from banks and other financial institutions	
	Stage 1-2	Stage 3	Stage 1-2	Stage 3
Secured by:				
Property	1,044	42	-	-
Deposits with banks	14	-	-	-
Securities received under reverse repo*	-	-	4,843	-
Equity securities	202	-	-	-
Other	252	19	-	-
Total collateral received	**1,512**	**61**	**4,843**	**-**

*incl. cash and cash equivalents with central banks

In millions of EUR, as at 31 December 2019

Fair value of collateral received	Loans due from customers		Loans and receivables due from banks and other financial institutions	
	Stage 1-2	Stage 3	Stage 1-2	Stage 3
Secured by:				-
Property	896	52	-	-
Deposits with banks	25	-	-	-
Securities received under reverse repo*	19	-	7,426	-
Equity securities	182	-	96	-
Other	195	20	-	-
Total collateral received	**1,317**	**72**	**7,522**	**-**

*incl. cash and cash equivalents with central banks

The total value of assets held as collateral is EUR 6,563 million (2019: EUR 8,993 million; refer to E.40.3) and consists of the collateral stated above (2020: EUR 6,416 million; 2019: EUR 8,911 million) plus collateral in the form of guarantees received (2020: EUR 147 million; 2019: EUR 82 million).

No collateral was held for trade and other receivables in 2020 and in 2019. For a detailed credit quality overview of financial assets, refer to E.2-E.5.

C.3. Liquidity risk

Liquidity risk arises in the general funding of the Group's activities and in the management of its positions. It includes the risk of being unable to fund assets using instruments with appropriate maturities and rates, the risk of being unable to liquidate an asset sufficiently quickly and in the appropriate amount, and the risk of being unable to meet obligations as they become due.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. All liquidity policies and procedures, as well as liquidity position projections, are subject to review and approval by senior management.

The Group's treasury department collects information from business units and holding companies regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. A portfolio of short-term liquid assets is maintained to ensure sufficient liquidity. The daily liquidity position is monitored, and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. The individual scenarios focus on liquidity available on specific markets and facilities, the nature of the related risks and the magnitude of their impact on the Group's business, management tools available and preventive actions.

The Group has access to a diverse funding base. Funds are raised using a broad range of instruments including deposits, bank loans, loans from central banks, debt securities and subordinated debt. Management strives to maintain a balance between continuity of funding and flexibility through use of liabilities with a range of maturities.

The following tables show exposure to liquidity risk:

In millions of EUR, as at 31 December 2020

	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Cash and cash equivalents	6,388	-	-	-	-	6,388
Investment securities	186	95	158	1,141	1,361	2,941
Financial assets at FVTPL	40	31	58	107	511	747
Financial assets FVOCI*	145	42	70	551	331	1,139
Financial assets at AC**	1	22	30	483	519	1,055
Loans and receivables due from banks and other financial institutions	407	44	5	12	7	475
Loans due from customers***	3,702	4,510	3,035	2,724	221	14,192
Trade and other receivables****	1,029	230	90	37	48	1,434
Total financial assets	**11,712**	**4,879**	**3,288**	**3,914**	**1,637**	**25,430**

*excl. equity instruments (refer to E.2.3)
**excl. FV hedge adjustment of negative EUR 10 million (refer to C.4.4)
***excl. total FV hedge adjustment of positive EUR 14 million (refer to C.4.4)
****incl. cash collateral for payment cards and other financial assets

In millions of EUR, as at 31 December 2020

	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Financial liabilities at FVTPL	25	88	39	184	440	776
Due to non-banks	9,011	931	123	242	2	10,309
Due to banks and other financial institutions	2,233	3,682	1,114	3,909	98	11,036
Debt securities issued	303	1,564	320	1,543	1,038	4,768
Subordinated liabilities	-	3	-	-	253	256
Trade and other payables*	1,043	230	149	7	33	1,462
Lease liabilities**	35	92	107	232	168	634
Total financial liabilities	**12,650**	**6,590**	**1,852**	**6,117**	**2,032**	**29,241**

*excl. tax and other non-financial liabilities
**presented under trade and other payables in the statement of financial position

Net liquidity position 2020	**(938)**	**(1,711)**	**1,436**	**(2,203)**	**(395)**	**(3,811)**

The less-than-three-months interval within due to non-banks contains banking deposits, most of which are repayable on demand.

In millions of EUR, as at 31 December 2019

	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Cash and cash equivalents	9,824	-	-	-	-	9,824
Investment securities	361	132	106	831	815	2,245
Financial assets at FVTPL	32	24	16	17	233	322
Financial assets FVOCI*	327	94	85	416	274	1,196
Financial assets at AC	2	14	5	398	308	727
Loans and receivables due from banks and other financial institutions	465	88	25	1	3	582
Loans due from customers	4,756	6,794	4,973	4,973	258	21,754
Trade and other receivables**	759	330	224	61	56	1,430
Total financial assets	**16,165**	**7,344**	**5,328**	**5,866**	**1,132**	**35,835**

*excl. equity instruments
**incl. cash collateral for payment cards and other financial assets

In millions of EUR, as at 31 December 2019

	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Financial liabilities at FVTPL	26	39	25	175	265	530
Due to non-banks	10,104	1,801	753	164	7	12,829
Due to banks and other financial institutions	4,156	5,088	4,388	3,063	190	16,885
Debt securities issued	491	1,131	1,277	400	1,038	4,337
Subordinated liabilities	-	-	7	-	257	264
Trade and other payables*	1,184	221	256	162	8	1,831
Lease liabilities**	36	90	113	254	183	676
Total financial liabilities	**15,997**	**8,370**	**6,819**	**4,218**	**1,948**	**37,352**

*excl. tax and other non-financial liabilities
**presented under trade and other payables in the statement of financial position

Net liquidity position 2019	**168**	**(1,026)**	**(1,491)**	**1,648**	**(816)**	**(1,517)**

The net liability position in 2020 and 2019 reflects the fact that the Group finances the previous acquisitions of its significant investments (CME group in 2020, Telenor assets in 2018, O2 CR/CETIN in previous years) and investment property using bank financing and debt securities. The Group repays such loans by proceeds from future dividends, rental income or the sale of assets, or is able to refinance such facilities at their maturities.

The following tables show the residual maturities of balance sheet and off-balance sheet liabilities on an undiscounted cash flow basis. Only those liability items are shown for which the total estimated undiscounted cash flows differ from the book values shown in the consolidated statement of the financial position.

In millions of EUR, as at 31 December 2020

	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Due to non-banks	9,020	956	130	256	5	10,367
Due to banks and other financial institutions	2,397	3,985	1,287	4,143	104	11,916
Debt securities issued	343	1,699	415	1,726	1,105	5,288
Subordinated liabilities	-	11	8	24	271	314
Trade and other payables*	1,052	233	152	7	33	1,477
Lease liabilities**	39	102	119	256	200	716
Loan commitments (off-balance sheet)	713	46	625	111	1	1,496
Payment guarantees provided (off-balance sheet)	6	8	27	117	-	158
Total	**13,570**	**7,040**	**2,763**	**6,640**	**1,719**	**31,732**

*excl. tax and other non-financial liabilities
**presented under trade and other payables in the statement of financial position

In millions of EUR, as at 31 December 2019

	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Due to non-banks	10,225	1,868	810	169	14	13,086
Due to banks and other financial institutions	4,452	5,680	4,705	3,316	202	18,355
Debt securities issued	541	1,246	1,378	505	1,083	4,753
Subordinated liabilities	1	13	19	36	293	362
Trade and other payables*	1,239	221	268	165	8	1,901
Lease liabilities**	41	103	129	284	215	772
Loan commitments (off-balance sheet)	678	112	845	-	4	1,639
Payment guarantees provided (off-balance sheet)	7	54	95	-	-	156
Total	**17,184**	**9,297**	**8,249**	**4,475**	**1,819**	**41,024**

*excl. tax and other non-financial liabilities
**presented under trade and other payables in the statement of financial position

The expected cash outflows and inflows related to trading and hedging derivatives are as follows:

In millions of EUR, as at 31 December 2020

	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Outflows						
Interest rate derivatives held for trading	(407)	(4,053)	(1,772)	(3,235)	(6,686)	(16,153)
Currency derivatives held for trading	(2,917)	(927)	(1,252)	(234)	-	(5,330)
Hedging derivatives	(265)	(221)	(171)	(127)	(31)	(815)
Inflows						
Interest rate derivatives held for trading	403	4,066	1,777	3,224	6,683	16,153
Currency derivatives held for trading	2,922	930	1,245	232	-	5,329
Hedging derivatives	269	217	173	130	34	823
Net position 2020	**5**	**12**	**-**	**(10)**	**-**	**7**

In millions of EUR, as at 31 December 2019

	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Outflows						
Interest rate derivatives held for trading	(314)	(3,036)	(3,236)	-	(5,579)	(12,165)
Currency derivatives held for trading	(3,765)	(2,423)	(3,703)	-	-	(9,891)
Hedging derivatives	(218)	(278)	(197)	(145)	(18)	(856)
Inflows						
Interest rate derivatives held for trading	314	3,036	3,238	-	5,573	12,161
Currency derivatives held for trading	3,764	2,404	3,711	-	-	9,879
Hedging derivatives	223	283	207	155	16	884
Net position 2019	**4**	**(14)**	**20**	**10**	**(8)**	**12**

C.4. Market risk

Market risk is the risk that changes in market rates, such as interest rates, foreign exchange rates, and prices of equity securities will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage market risk exposure and keep it within acceptable limits.

The bulk of the Group's exposure to market risk arises in connection with the use of liabilities denominated in foreign currencies to finance the Group's operations, and to the extent the term structure of interest-bearing assets differs from that of liabilities. Exposure to market risk is formally managed by buying or selling instruments or entering into offsetting positions subject to risk limits or frameworks set by senior management.

C.4.1. Interest rate risk

The Group's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets (including investments) and interest-bearing liabilities mature or reprice at different times or in differing amounts. In the case of floating-rate assets and liabilities, the Group is also exposed to interest rate cash-flow risk, which varies depending on the different repricing characteristics of the various floating-rate instruments.

Interest rate risk is managed principally by monitoring interest rate gaps and by having pre-approved limits for repricing bands. The Group's senior management monitors compliance with these limits. Interest rate derivatives (refer to E.12) are one of the tools the Group uses to manage this position.

Interest rate derivatives are primarily used to bridge the repricing mismatch between assets and liabilities. In addition, the Group enters into interest rate swaps to fix the interest rates on its floating-rate debts at a certain level.

The management of interest rate risk against interest rate gap limits is supplemented by monitoring of the sensitivity of the Group's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered include a 100-basis-point parallel fall or rise in all yield curves worldwide. In such a case, the net interest income for the year ended 31 December 2020 would be approximately EUR 165 million higher/lower (2019: EUR 214 million).

The tables below summarise the interest rate repricing gap of the Group's financial assets and liabilities at the reporting date. The carrying amounts of interest-rate-sensitive assets and liabilities and the notional amounts of swaps and other derivative financial instruments are presented in the periods in which they mature or in which the interest rates will next be fixed. To reflect anticipated prepayments, certain asset and liability categories are included in the table based on estimated rather than contractual maturity dates. Items are allocated to time bands by reference to the earlier of the next contractual interest rate repricing date and the expected maturity date.

The following tables present an analysis of the interest rate gap position (excl. derivatives):

In millions of EUR, as at 31 December 2020

	Effective interest rate	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Cash and cash equivalents	0.38%	6,388	-	-	-	-	6,388
Investment securities	1.76%	183	868	122	599	901	2,673
Financial assets at FVTPL	1.24%	11	194	40	33	201	479
Financial assets at FVOCI*	2.95%	167	236	49	468	219	1,139
Financial assets at AC**	0.72%	5	438	33	98	481	1,055
Loans and receivables due from banks and other financial institutions	1.07%	407	44	5	12	7	475
Loans due from customers***	23.93%	4,274	4,496	2,964	2,388	70	14,192
Trade and other receivables****	0.01%	1,080	212	79	37	27	1,435
Total financial assets		**12,332**	**5,620**	**3,170**	**3,036**	**1,005**	**25,163**

*excl. equity instruments (refer to E.2.3)
**excl. FV hedge adjustment of negative EUR 10 million (refer to C.4.4)
***excl. total FV hedge adjustment of positive EUR 14 million (refer to C.4.4)
***incl. cash collateral for payment cards and other financial assets

In millions of EUR, as at 31 December 2020

	Effective interest rate	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Financial liabilities at FVTPL	0.74%	8	43	17	88	287	443
Due to non-banks	1.00%	9,011	931	123	242	2	10,309
Due to banks and other financial institutions	6.80%	5,486	3,650	886	1,003	11	11,036
Debt securities issued	5.01%	303	1,564	320	1,543	1,038	4,768
Subordinated liabilities	3.17%	-	163	93	-	-	256
Trade and other payables*	0.65%	1,043	230	149	7	33	1,462
Lease liabilities**	3.13%	35	94	108	231	166	634
Total financial liabilities		**15,886**	**6,675**	**1,696**	**3,114**	**1,537**	**28,908**

*excl. tax and other non-financial liabilities
**presented under trade and other payables in the consolidated statement of financial position

Effect of interest rate derivatives		**898**	**305**	**179**	**(934)**	**(218)**	**230**
Net position 2020		**(2,656)**	**(750)**	**1,653**	**(1,012)**	**(750)**	**(3,515)**

In millions of EUR, as at 31 December 2019

	Effective interest rate	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Cash and cash equivalents	1.8%	9,824	-	-	-	-	9,824
Investment securities	3.7%	361	757	71	323	554	2,066
Financial assets at FVTPL	3.6%	-	2	-	2	139	143
Financial assets at FVOCI*	4.9%	359	304	66	321	146	1,196
Financial assets at AC	2.1%	2	451	5	-	269	727
Loans and receivables due from banks and other financial institutions	2.7%	470	78	29	-	5	582
Loans due from customers	27.5%	5,426	6,554	4,850	4,868	56	21,754
Trade and other receivables**	0.0%	783	329	224	60	34	1,430
Total financial assets		**16,864**	**7,718**	**5,174**	**5,251**	**649**	**35,656**

*excl. equity instruments
**incl. cash collateral for payment cards and other financial assets

In millions of EUR, as at 31 December 2019

	Effective interest rate	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Financial liabilities at FVTPL	2.0%	42	-	3	85	139	269
Due to non-banks	1.6%	10,034	1,871	753	164	7	12,829
Due to banks and other financial institutions	7.8%	6,975	5,085	3,630	1,102	93	16,885
Debt securities issued	6.1%	492	1,131	1,277	400	1,037	4,337
Subordinated liabilities	4.3%	-	165	99	-	-	264
Trade and other payables*	0.7%	1,067	221	56	479	8	1,831
Lease liabilities**	3.7%	39	99	110	248	180	676
Total financial liabilities		**18,649**	**8,572**	**5,928**	**2,478**	**1,464**	**37,091**

*excl. tax and other non-financial liabilities
**presented under trade and other payables in the consolidated statement of financial position

Effect of interest rate derivatives	**1,701**	**(47)**	**(33)**	**(1,469)**	**(103)**	**49**
Net position 2019	**(84)**	**(901)**	**(787)**	**1,304**	**(918)**	**(1,386)**

C.4.2. Equity price risk

Equity price risk is the risk that equity prices will fluctuate, affecting the fair value of equity investments and other instruments that derive their value from a particular equity investment or index of equity prices.

The Group manages its use of equity investments in response to changing market conditions and limits the risk by maintaining a diversified portfolio.

C.4.3. Currency risk

The Group is exposed to currency risk through transactions in foreign currencies and through its assets and liabilities denominated in foreign currencies. Foreign currency risk arises when the actual or forecast assets denominated in a given foreign currency are either greater or less than the liabilities denominated in that currency. It is the Group's policy to hedge such mismatches with derivative financial instruments to eliminate the foreign currency exposure.

The Group's main foreign exposures are to the European and Asian countries in which the Group operates. Its exposures are measured mainly in Czech crowns, Chinese yuan, Russian roubles, Hungarian forint, Kazakhstani tenge and Indian rupee. As the currency in which the Group presents its consolidated financial statements is the euro, movements in the exchange rates between these currencies and the euro affect the Group's consolidated financial statements in OCI (translation reserve). Net investments in foreign operations are not hedged.

The following table summarises the Group's exposure in individual countries and respective local functional currencies. Any exposure in the individual countries in other than the local currency is excluded.

In millions of EUR, as at 31 December 2020

	EUR	CZK	CNY	RUB	VND	KZT	USD	INR	BGN	HUF	RSD	Other	Total
Net investment in foreign operations	(1,653)	4,913	932	1,347	194	292	(11)	524	578	883	855	578	9,432

In millions of EUR, as at 31 December 2019

	EUR	CZK	CNY	RUB	VND	KZT	USD	INR	BGN	HUF	RSD	Other	Total
Net investment in foreign operations	(1,138)	5,298	1,486	1,148	344	385	358	890	623	994	826	601	11,815

The Group's transactional exposures give rise to foreign currency gains and losses that are recognised in the income statement. These exposures comprise the monetary assets and monetary liabilities of the Group companies that are not denominated in the functional currency of the respective Group entity. In respect of monetary assets and liabilities in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying and selling foreign currencies at spot rates when considered appropriate, or through short-term FX trades.

The Group entities' largest foreign currency exposures are for financial assets and financial liabilities, i.e. exposures in currencies different from the entities' functional currencies (gross position as net financial assets and financial liabilities):

In millions of EUR, as at 31 December 2020

	EUR	CZK	CNY	RUB	INR	KZT	USD	HUF	Other	Total
Financial assets	1,438	78	3	5	9	-	530	11	251	2,325
Financial liabilities	2,175	426	-	66	-	-	463	1	61	3,192
Effect of FX derivatives	282	-	-	62	(351)	(112)	153	117	(242)	(91)
Net FX position	**(455)**	**(348)**	**3**	**1**	**(342)**	**(112)**	**220**	**127**	**(52)**	**(958)**

In millions of EUR, as at 31 December 2019

	EUR	CZK	CNY	RUB	INR	KZT	USD	HUF	Other	Total
Financial assets	1,352	54	-	22	16	-	762	22	64	2,292
Financial liabilities	3,081	488	-	178	-	-	714	-	39	4,500
Effect of FX derivatives	1,908	-	-	17	(642)	(117)	148	(236)	(81)	997
Net FX position	**179**	**(434)**	**-**	**(139)**	**(626)**	**(117)**	**196**	**(214)**	**(56)**	**(1,211)**

The following tables present an analysis of the sensitivity of the Group's equity to changes in currency exchange rates based on positions existing as at 31 December 2020 and 2019 and a simplified scenario of a 5% change in CZK, USD, RUB, KZT, CNY, HUF and INR to EUR exchange rates:

In millions of EUR, as at 31 December 2020

	CZK	USD	RUB	KZT	CNY	HUF	INR
Effect of 5% currency depreciation against EUR	(229)	(10)	(67)	(9)	(47)	(50)	(9)
Effect of 5% currency appreciation against EUR	229	10	67	9	47	50	9

In millions of EUR, as at 31 December 2019

	CZK	USD	RUB	KZT	CNY	HUF	INR
Effect of 5% currency depreciation against EUR	(243)	(28)	(50)	(13)	(74)	(39)	(13)
Effect of 5% currency appreciation against EUR	243	28	50	13	74	39	13

C.4.4. Hedging

The Group uses derivative financial instruments to manage the potential earnings impact of interest rate and foreign currency movements. Several types of derivative financial instruments are used for this purpose, including interest rate swaps and currency swaps, options, forward contracts and other derivatives. The purpose of the Group's economic hedging activities is to protect the Group from the risk that the net cash inflows will be adversely affected by changes in interest or exchange rates, credit ratings or market prices. The Group enters into transactions to ensure that it is economically hedged in accordance with its asset-liability risk management policies.

Interest rate hedging derivatives are designated as economic hedges of benchmark interest rates for specified assets or groups of similar assets, as well as liabilities or groups of similar liabilities, or anticipated transactions. The Group's risk management activities concentrate on economic hedging of the Group's net exposure based on its asset and liability positions. Therefore, the Group monitors its interest rate risk exposures by reviewing the net asset or liability gaps within the relevant repricing bands.

When the Group economically hedges a portfolio of loans or liabilities in respect of the interest rate risk, it classifies the loans in question into homogenous groups, each with specific maturities.

The Group manages its use of hedging derivatives in response to changing market conditions, as well as to changes in the characteristics and mix of the related assets, liabilities and firm commitments.

Pursuant to its above interest rate risk management policy and with the objective to match the interest rate profile of its assets and liabilities, the Group started to apply hedge accounting to better align the internal risk management for interest rate driven changes in fair value of certain loan portfolios and bonds with external reporting. The hedged portfolios, represented by a part of retail (cash, consumer, revolving, car and mortgage loans receivables) and corporate loans receivables, and government bonds, are all denominated in CZK. The hedge of the retail loans was a portfolio hedge (terminated during the second half of 2020 as further described below). 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 retail loans carry fixed interest rates. The mortgage loans carry fixed interest rates until the next repricing.

For the fair value hedge of the retail loans portfolios (portfolio hedging), the composition of the hedged portfolios was changed monthly. Existing retail loans are repaid, excluded from the hedged portfolio due to default, and newly originated retail 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 common objective of the hedging of 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 (retail 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).

For the year ending 31 December 2020, all continuing fair value hedges were assessed as effective being in the range of 80-125%. A total loss of EUR 1 million from the hedge ineffectiveness is presented in the consolidated income statement under net gains/losses on financial assets/liabilities caption, where no PL effect relates to the portfolio hedge and a loss of EUR 1 million relates to the micro hedge.

During the second half of 2020, the Group decided to cease all its portfolio hedge relationships, with the effective date of this discontinuance of 1 October 2020. The hedged items in these portfolio hedge relationships were retail loans portfolios. Thus, all portfolio fair value hedges are presented as discontinued in the below tables.

Until the period ending 1 October 2020 (portfolio hedge discontinuation date), all discontinued fair value hedges were assessed as effective being in the range of 80-125%. No PL effect from the related hedge ineffectiveness is presented in profit or loss.

C.4.4.1. Portfolio hedge

The total notional amount of the interest rate swaps used as the hedging instruments for the discontinued fair value portfolio hedge relationships amounted to CZK 21,600 million (approx. EUR 823 million) as at the moment of discontinuation. The related changes in fair values used for calculating hedge ineffectiveness during the year 2020 resulted in a decrease of EUR 21 million.

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

In millions of EUR, as at 31 December 2020

Fair value hedges - portfolio (disc.) (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
Cash loans (refer to E.4)	-	4	Loans due from customers (retail)	6
Revolving loans (refer to E.4)	-	2	Loans due from customers (retail)	3
Mortgage loans (refer to E.4)	-	7	Loans due from customers (retail)	10
Car loans (E.4)	-	1	Loans due from customers (retail)	2
Total	**-**	**14**		**21**

The accumulated amount of FV hedge adjustments are expected to be amortised within the following 5 years.

C.4.4.2. Micro hedge

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

In millions of EUR, as at 31 December 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.10)		
Interest rate swaps	15,975*	10	(21)	Financial assets/(liabilities) at FVTPL	(1)

*approx. EUR 609 million

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

In millions of EUR, as at 31 December 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)	30	-	Loans due from customers (non-retail)	1
Bonds (refer to E.2.2)	1,003	(10)	Investment securities	(1)
Total	**1,033**	**(10)**		**-**

The maturity and interest rate risk profiles of the Group's hedging instruments used in micro fair value hedge relationships is, as follows:

In EUR million, as at 31 December 2020

	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Interest rate swaps						
Notional principal	-	31	-	78	500	609
Average interest rate	-	0.3%	-	1.2%	1.8%	-

C.5. Insurance risk

The main risk faced by the Group under insurance contracts is that the actual claims and benefit payments, or the timing thereof, will differ from expectations. This is influenced by the frequency of claims, severity of claims, claims settlement period, etc. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover current and future liabilities under insurance contracts. The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The Group uses reinsurance agreements as a part of its risk mitigation programme. Insurance risk is transferred to reinsurance on a pro rata and disproportional basis. Most reinsurance contracts are proportional reinsurance (quota/surplus reinsurance) combined with excess of loss reinsurance.

C.5.1. Life insurance

Insurance risks related to life insurance contracts include biometric risks arising from events related to mortality trends, longevity, morbidity, etc., as well as risks related to trends in lapses and acquisition and maintenance expenses from insurance contracts.

The vast majority of life insurance contracts offered by the Group have two components: the main programme, which is a savings (endowment/pure endowment) component, and riders that may include pure risks cover, such as accident cover or critical illness cover. One of the Group's products also includes a pension annuity. All of the Group's life insurance contracts have a guaranteed interest rate. In order to fulfil its obligations to policyholders, the Group uses the concept of asset-liability matching, which means that the Group invests in assets with a rate of return equal to or more than the minimum interest guaranteed under insurance contracts.

Risks associated with the savings component of insurance contracts are screened (i.e. assessed and analysed) regularly in light of the principle of prudence. Such screening includes, inter alia, analysing the prevailing conditions on financial markets and any regulatory restrictions. The screening results are used to shape the underwriting and pricing policies of the Group.

C.5.2. Non-life insurance

Non-life insurance business comprises mainly loan and accident insurance. Insurance risk on non-life insurance contracts is divided into price risk, concentration risk and reserve deficiency risk. The Group's portfolio of accident insurance is not subject to catastrophe risk. Price risk arises due to the fact that insurance premiums may not be sufficient to cover future losses and expenses on insurance contracts. To manage price risk, the Group regularly analyses profitability in the context of insurance products and makes appropriate adjustments in its pricing policy.

C.6. Risks specific to real estate business

C.6.1. Concentration risk

The Group's goal is to hold a well-balanced portfolio with respect to the geographical concentration of its assets. Therefore, it broadened its geographical focus during the last years by having properties in the Czech Republic, Germany, the Netherlands, Romania, Russia and the United Kingdom. Any potential concentration risk is also managed through diversified investments into different real estate sectors such as office, logistics and retail and through careful selection of real estate projects and internal project management controls.

C.6.2. Valuation risk

Given the nature of the assets and the requirement that they be measured at fair market value, the Group uses only reputable and internationally well-known independent experts to establish fair market values. In the event that a valuation is made based on internal calculations, it is always subject to several rounds of discussions between internal real estate analysts and the Group's senior management, with strict emphasis on taking a justifiable, conservative approach.

C.6.3. Occupancy risk

The Group is exposed to an occupancy risk stemming from the possibility of losing the tenant or the need to provide for significant incentives either to keep the current tenant or to obtain a new one. In the current buyers' market environment, when faced with such requirements the Group's position is not very strong. To partially mitigate such adverse conditions, the Group tries to offset the immediate negative impact in the long term, e.g. to negotiate long rental agreements incorporating the unilateral option to renew the agreement or to impose significant penalties if the contract is broken by the tenant.

C.7. Fair value of financial assets and liabilities

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments measured using: market prices quoted in active markets for similar instruments; prices quoted for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are measured based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using valuation techniques.

Valuation techniques include a comparison with similar instruments for which market observable prices exist, the net present value and discounted cash flow models, Black-Scholes option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premiums used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market-related rate at the reporting date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the reporting date.

The fair value of debt securities, through other comprehensive income, and of foreign currency futures are based on their quoted market price. The other derivative contracts are not exchange traded and their fair value is estimated using an arbitrage pricing model whose key parameters are the relevant foreign exchange rates and interbank interest rates prevailing at the reporting date.

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

In millions of EUR, as at 31 December 2020

	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets at AC (E.2.2)*	1,055	1,055	1,046	-	9
Loans and receivables due from banks and other financial institutions	475	475	6	467	2
Loans due from customers**	14,192	14,257	-	9	14,248
Trade and other receivables***	1,137	1,137	-	-	1,137
Contract assets	297	297	-	-	297
Due to non-banks	(10,309)	(10,314)	-	(10,302)	(12)
Due to banks and other financial institutions	(11,036)	(11,132)	-	(8,628)	(2,504)
Debt securities issued	(4,768)	(4,890)	(1,026)	(3,470)	(394)
Subordinated liabilities	(256)	(248)	-	-	(248)
Trade and other payables****	(2,096)	(2,096)	-	-	(2,096)

*excl. FV hedge adjustment of negative EUR 10 million (refer to C.4.4)
**excl. total FV hedge adjustment of positive EUR 14 million (refer to C.4.4)
***incl. cash collateral for payment cards and other financial assets
****excl. 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
Financial assets at AC	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)	-	(94)	(2,413)

*incl. cash collateral for payment cards and other financial assets
**excl. 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 31 December 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	445	269	33	747
Financial assets FVOCI	1,515	139	42	1,696
Financial liabilities at FVTPL	(356)	(333)	(87)	(776)
Total	**1,604**	**75**	**(12)**	**1,667**

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 at 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 year ended 31 December 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)	(26)	-	(6)	(32)
Net gains/(losses) recorded in other comprehensive income	-	1	-	1
Purchases of financial assets	-	18	-	18
Additions from business combinations	10	-	-	10
Sales/settlements	-	-	32	32
Transfers out of/into Level 3	-	(16)	-	(16)
Effect of movements in exchange rates	(1)	-	-	(1)
Balance as at 31 December 2020	**33**	**42**	**(87)**	**(12)**

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 financial assets at FVOCI in Level 3 represent equity securities of EUR 42 million (2019: EUR 39 million). The fair value of debt securities is sensitive to market interest rates. The fair value of equity securities is sensitive to economic developments at the businesses in question.

C.8. Offsetting financial assets and liabilities

The Group's derivative transactions are predominantly entered into under International Swaps and Derivatives Association (ISDA) master netting agreements. In general, under such agreements the amounts owed by each counterparty that are due on a single day in respect of transactions outstanding in the same currency are aggregated into a single net amount payable by one party to the other. In certain circumstances, e.g. when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed, and only a single net amount is due or payable in settlement transactions.

ISDA master netting agreements and similar master netting arrangements do not meet the criteria for offsetting in the consolidated statement of the financial position. Therefore, as at 31 December 2020 and 31 December 2019 the reported balances of positive and negative fair values of derivatives do not include any offset amounts.

Loans and advances provided and received under repo operations are covered by global master repurchase agreements and similar agreements with terms similar to those of ISDA master netting agreements.

Such agreements do not meet the criteria for offsetting in the consolidated statement of the financial position. Therefore, as at 31 December 2020 and 31 December 2019 the reported balances of loans and advances provided under repo operations do not include any offset amounts. The remaining balances of liabilities due from banks and non-banks are not subject to any offsetting arrangements.

C.9. Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations and are faced by all business entities.

The Group's objective is to manage operational risk to balance the avoidance of financial losses/damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk has been assigned to the senior management of the Group. This responsibility is supported by the development of standards for the management of operational risk in the following areas:

- requirements for the appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;

- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards;
- risk mitigation, including insurance where effective.

Compliance with Group standards is supported by a programme of periodic reviews undertaken by internal audit. The individual subsidiaries have their local internal audit teams that also cooperate with the Group internal audit on the PPF Group level. The results of internal audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the senior management of the Group.

C.10. Capital management

The Group's objective is to maximise the shareholder value while maintaining investor, creditor and market confidence and being able to sustain the future development of the businesses. The Group manages its capital structure and makes adjustments in light of changes in economic conditions.

To achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets the financial covenants attached to interest-bearing loans and borrowings. Any breaches in meeting the financial covenants would permit lenders to call loans and borrowings, subject to the Group not being able to remedy the breach. There have been no breaches of the financial covenants of any interest-bearing loans and borrowings in the current period.

In 2020, PPF Group N.V. distributed EUR 30 million (2019: EUR 60 million) to its shareholders. This distribution should be seen in relation to the general principles for capital management as explained above.

C.10.1. Financial services segment

Until the beginning of 2015, the Group was a financial conglomerate and thus subject to supplementary prudential rules applicable to financial conglomerates. This situation changed in January 2015, when a significant insurance segment was divested.

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 0.05% of its risk-weighted assets.

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

In the 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.

The following table presents the composition of the Subgroup's regulatory capital:

In millions of EUR, as at 31 December

	2020	2019
Issued capital	0.05	0.05
Share premium	2,324	2,324
Retained earnings and other reserves	579	378
Interim profit included into capital	(493)	55
Minority interests on CET 1	9	12
Adjustment to CET 1 due to IFRS 9	603	300
(-) Additional valuation adjustment	(2)	(2)
(-) Intangible assets	(203)	(363)
(-) Deferred tax assets (deductible part)	(174)	(79)
Total Tier 1 capital	**2,642**	**2,625**
Total Tier 2 capital	**347**	**255**
Total capital	**2,989**	**2,880**
Total capital adequacy ratio	**14.94%**	**11.10%**

The total regulatory capital of the Subgroup consists of Tier 1 capital and Tier 2 capital. Tier 1 capital comprises the following items: issued capital, share premium, retained earnings, interim profit approved by the regulator, accumulated other comprehensive income, other reserves, and minority interests. Tier 1 capital is decreased by intangible assets, the additional valuation adjustment and deferred tax assets directly deductible from capital. The Subgroup has no additional Tier 1 capital.

Tier 2 capital consists of the eligible portion of Tier 2 instruments issued by PPF Financial Holdings B.V., PPF banka a.s., and Air Bank a.s.

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 Group and 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 the geographic focus of each reportable segment.

Reportable segment	Business name/brand	Operations	Geographic focus
Financial segment	PPF banka and its subsidiaries	Loans, deposits and other transactions and balances with corporate customers, trading activities	Czech Republic
	Home Credit	Lending to private individual customers, deposit-taking	Czech Republic, Slovakia, Russian Federation, Asia, USA
	Air Bank* and its subsidiaries	Deposits, loans and other transactions and balances with retail customers	Czech Republic and Slovakia
	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 networks	Czech Republic, Hungary, Bulgaria, Serbia
	Telenor	Mobile operators providing a range of voice and data services	Hungary, Bulgaria, Serbia and Montenegro
Media	TV Bidco and its subsidiaries	Television broadcasting	Czech Republic, Bulgaria, Romania, Slovakia and Slovenia
Real estate	PPF Real Estate Holding	Developing, investing and professional consulting in the property sector	Central and Western Europe, Russian Federation, Romania
Mechanical engineering	Škoda	Production, development, assembling and repairs of vehicles for public transport	Czech Republic, Eastern Europe, Russian Federation, Finland
	Temsa *(JV)*	Production of buses	Turkey
Insurance	PPF Insurance	Provision of life insurance products	Russian Federation
Other	Sotio	Development of new medical therapies, focusing on the treatment of cancer and autoimmune diseases	Czech Republic, USA, China
	RAV Holding	Grain and livestock production, storage and trade	Russian Federation
	O2 Arena/ O2 Universum	Operation of multipurpose hall hosting mainly sports and cultural events	Czech Republic
	CzechToll	Toll operating and collection system	Czech Republic

*part of Home Credit Group

Reportable segment	Business name/brand	Operations	Geographic focus
Other (cont.)	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	Online publishing and book selling	worldwide

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 the 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 year ended 31 December

	2020	2019
Interest income	4,388	5,569
Fee and commission income	435	672
Net earned premiums	70	75
Net rental and related income	156	191
Telecommunications income	3,156	3,159
Mechanical engineering income	419	388
Media income*	179	-
Other income**	44	95
Total revenue from external customers	**8,847**	**10,149**

*since the acquisition in October 2020 (refer to B.2.4.)
**incl. toll operations income and agriculture income

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

The following table shows the main items from the financial statements broken down according to reportable segments for the year ended 31 December 2020 and comparative figures for 2019:

In millions of EUR

2020	Financial services	Telecommu-nications	Media*	Real estate	Insurance	Mechanical engineering	Other	Unallocated	Eliminations	**Consolidated**
Revenue from external customers	4,795	3,158	179	161	62	421	60	11	-	8,847
Inter-segment revenue	14	4	1	1	1	-	2	48	(71)	-
Total revenue	**4,809**	**3,162**	**180**	**162**	**63**	**421**	**62**	**59**	**(71)**	**8,847**
Segment share of earnings of associates/JVs	(9)	-	-	29	-	13	37	-	-	70
Net profit/(loss) for the year	**(553)**	**401**	**34**	**52**	**5**	**(53)**	**(130)**	**(25)**	**(22)**	**(291)**
Capital expenditure	(123)	(612)	(9)	(1)	-	(54)	(35)	-	2	(832)
Depreciation and amortisation	(199)	(675)	(11)	(3)	(1)	(28)	(9)	(1)	4	(923)
Other significant non-cash expenses	(2,416)	(79)	(3)	(2)	-	(37)	(121)	(4)	2	(2,660)
Segment assets	24,765	7,969	2,078	2,197	191	986	2,172	2,369	(3,069)	39,658
of which: equity-accounted investees	*32*	*1*	-	*69*	-	*36*	*759*	-	-	*897*
Segment liabilities	21,907	7,114	1,252	1,428	143	708	814	754	(2,978)	31,141
Segment equity	**2,858**	**855**	**826**	**769**	**48**	**278**	**1,358**	**1,615**	**(91)**	**8,517**

*income statement and capital expenditure for Media presented since acquisition of CME group in October 2020 (refer to B.2.4)

In millions of EUR

2019	Financial services	Telecommu-nications	Real estate	Insurance	Mechanical engineering	Other	Unallocated	Eliminations	**Consolidated**
Revenue from external customers	6,206	3,175	193	66	391	111	7	-	10,149
Inter-segment revenue	4	5	1	1	-	-	36	(47)	-
Total revenue	**6,210**	**3,180**	**194**	**67**	**391**	**111**	**43**	**(47)**	**10,149**
Segment share of earnings of associates/JVs	(21)	-	(18)	-	5	71	-	-	37
Net profit/(loss) for the year	**507**	**348**	**157**	**3**	**(14)**	**(45)**	**53**	**(4)**	**1,005**
Capital expenditure	(175)	(392)	(1)	-	(34)	(50)	(1)	5	(648)
Depreciation and amortisation	(188)	(690)	(3)	(1)	(26)	(5)	(1)	5	(909)
Other significant non-cash expenses	(1,816)	(75)	-	-	(2)	(3)	(1)	-	(1,897)
Segment assets	35,060	8,216	2,378	219	969	1,835	2,044	(2,107)	48,614
of which: equity-accounted investees	*48*	-	*82*	-	*20*	*734*	-	-	*884*
Segment liabilities	31,283	6,570	1,444	164	632	800	187	(2,021)	39,059
Segment equity	**3,777**	**1,646**	**934**	**55**	**337**	**1,035**	**1,857**	**(86)**	**9,555**

D.1.1. Financial services segment

The financial services segment is primarily represented by Home Credit Group (consumer lending) and PPF Banka (corporate banking). The Home Credit Group reports on one global consumer lending segment where all information about similar products, services, and customers is presented. This approach suits the global business strategy of having a similar approach to customers, a unique and unified product portfolio, as well as centralised processes that drive operational excellence. The Home Credit Group also presents additional information for revenue and net interest income based on the division of countries into four geographic clusters: China, the Commonwealth of Independent States, South East Asia, Central and Eastern Europe. The Home Credit Group operates in the following principal geographical areas: China, the Russian Federation, Kazakhstan, Vietnam, India, Indonesia, the Philippines, the Czech Republic, Slovakia, 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 2020 and 2019:

In millions of EUR

2020	Consumer lending						Corporate banking	Retail banking	Unallocated	Eliminations	**Consolidated**
		China	*CIS**	*SEA*	*CEE*	*Other*	*PPF Banka*	*Mobi Banka*			
Revenue from customers	4,646	2,654	764	984	236	8	138	15	10	-	4,809
Inter-segment revenue	(1)	-	-	-	(1)	-	54	-	14	(67)	-
Total revenue	**4,645**	**2,654**	**764**	**984**	**235**	**8**	**192**	**15**	**24**	**(67)**	**4,809**
Net interest income from external customers	2,947	1,682	448	672	184	(39)	76	6	-	-	3,029
Inter-segment net interest income	(63)	-	(2)	(39)	(1)	(21)	53	(1)	14	(3)	-
Total net interest income	**2,884**	**1,682**	**446**	**633**	**183**	**(60)**	**129**	**5**	**14**	**(3)**	**3,029**
Net profit/(loss) for the year	**(577)**						**37**	**(5)**	**(3)**	**(5)**	**(553)**
Capital expenditure	(120)						(3)	-	-	-	(123)
Depreciation and amortisation	(194)						(3)	(2)	-	-	(199)
Other significant non-cash expenses	(2,362)						(52)	(1)	(1)		(2,416)
Segment assets	18,528						6,476	206	517	(962)	24,765
Segment liabilities	16,583						5,869	170	245	(960)	21,907
Segment equity	**1,945**						**607**	**36**	**272**	**(2)**	**2,858**

*CIS – Commonwealth of Independent States, SEA – South East Asia, CEE – Central and Eastern Europe (incl. Air Bank)

In millions of EUR

2019	Consumer lending						Corporate banking	Retail banking	Unallocated	Eliminations	**Consolidated**
		China	_CIS*_	_SEA_	_CEE_	_Other_	_PPF Banka_	_Mobi Banka_			
Revenue from customers	6,004	3,672	971	1,083	255	23	188	11	7	-	6,210
Inter-segment revenue	3	-	-	-	3	-	65	-	23	(91)	-
Total revenue	**6,007**	**3,672**	**971**	**1,083**	**258**	**23**	**253**	**11**	**30**	**(91)**	**6,210**
Net interest income from external customers	3,745	2,290	550	736	192	(23)	103	4	(3)	-	3,849
Inter-segment net interest income	(82)	-	(4)	(52)	3	(29)	63	-	23	(4)	-
Total net interest income	**3,663**	**2,290**	**546**	**684**	**195**	**(52)**	**166**	**4**	**20**	**(4)**	**3,849**
Net profit/(loss) for the year	**405**						**86**	**(3)**	**20**	**(1)**	**507**
Capital expenditure	(170)						(4)	(1)	-	-	(175)
Depreciation and amortisation	(183)						(3)	(2)	-	-	(188)
Other significant non-cash expenses	(1,825)						9	-	-	-	(1,816)
Segment assets	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**

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

D.1.2. Telecommunications segment

The telecommunications segment comprises O2 CR, CETIN, and Telenor. After 1 July 2020, the separation of the Telenor entities in three countries into the retail and infrastructure businesses in the CEE countries was followed by the internal restructuring of Group's telecommunication segment from a managerial perspective. Subject to the completion of the internal restructuring, CETIN CR, CETIN Bulgaria, CETIN Hungary, and CETIN Serbia came under CETIN Group, which remained under the control of PPF Telecom Group B.V. In line with IFRS 8, the Group does not provide any comparative data for the newly established segments, as this would not offer any reliable information. Income statement information for the new CETIN segments for the year ended and as at 31 December 2020 comprises the results for a 6-month period from 1 July 2020 to 31 December 2020. However, the figures for the year ended as at 31 December 2019 presented for Telenor segments are reliably comparable with the calculated sum of 2020 CETIN and Telenor segment figures per the respective country.

O2 CR is further divided into two geographical segments corresponding to the geographical location of customers. The Telenor Serbia and Montenegro segment comprises two individual business units with a common management and business strategy.

In millions of EUR

2020	O2 Czech Republic	O2 Slovak Republic	Telenor Hungary	Telenor Bulgaria	Telenor Serbia & MNE	CETIN CR	CETIN Hungary	CETIN Bulgaria	CETIN Serbia	Unallo-cated	Elimi-nations	**Consoli-dated**
Revenue from external customers	1,208	286	507	395	427	328	2	1	4	4	-	3,162
Inter-segment revenue	19	4	6	7	10	386	62	47	44	13	(598)	-
Total revenue	**1,227**	**290**	**513**	**402**	**437**	**714**	**64**	**48**	**48**	**17**	**(598)**	**3,162**
EBITDA	**378**	**127**	**168**	**140**	**161**	**331**	**48**	**38**	**38**	**7**	**(11)**	**1,425**
Net profit/(loss) for the period	**136**	**39**	**56**	**55**	**60**	**96**	**26**	**18**	**17**	**(102)**	**-**	**401**
Capital expenditure	(158)	(70)	(140)	(19)	(29)	(147)	(23)	(16)	(11)	(1)	2	(612)
Depreciation and amortisation	(181)	(60)	(82)	(60)	(69)	(181)	(18)	(17)	(16)	(1)	10	(675)
Other significant non-cash expenses	(27)	(11)	(11)	(13)	(14)	(3)	-	-	-	-	-	(79)
Segment assets	1,882	567	767	510	707	2,381	409	310	364	540	(468)	7,969
Segment liabilities	907	276	212	119	126	1,524	127	78	74	3,905	(234)	7,114
Segment equity	**975**	**291**	**555**	**391**	**581**	**857**	**282**	**232**	**290**	**(3,365)**	**(234)**	**855**

In millions of EUR

2020	CETIN	O2 Czech Republic	O2 Slovak Republic	Telenor Hungary	Telenor Bulgaria	Telenor Serbia & MNE	Unallocated segment	Eliminations	**Consolidated**
Revenue from external customers	328	1,208	286	509	396	431	4	-	3,162
Inter-segment revenue	386	19	4	3	4	11	13	(440)	-
Total revenue	**714**	**1,227**	**290**	**512**	**400**	**442**	**17**	**(440)**	**3,162**
EBITDA	**331**	**378**	**127**	**217**	**177**	**199**	**7**	**(11)**	**1,425**
Net profit/(loss) for the period	**96**	**136**	**39**	**81**	**74**	**77**	**(102)**	**-**	**401**
Capital expenditure	(147)	(158)	(70)	(163)	(35)	(41)	(1)	3	(612)
Depreciation and amortisation	(181)	(181)	(60)	(100)	(77)	(85)	(1)	10	(675)
Other significant non-cash expenses	(3)	(27)	(11)	(11)	(13)	(14)	-	-	(79)
Segment assets	2,381	1,882	567	1,164	810	1,063	540	(438)	7,969
Segment liabilities	1,524	907	276	327	187	192	3,905	(204)	7,114
Segment equity	**857**	**975**	**291**	**837**	**623**	**871**	**(3,365)**	**(234)**	**855**

In millions of EUR

2019	CETIN	O2 Czech Republic	O2 Slovak Republic	Telenor Hungary	Telenor Bulgaria	Telenor Serbia & MNE	Unallocated segment	Eliminations	**Consolidated**
Revenue from external customers	344	1,210	293	524	379	417	13	-	3,180
Inter-segment revenue	409	26	5	3	5	13	31	(492)	-
Total revenue	**753**	**1,236**	**298**	**527**	**384**	**430**	**44**	**(492)**	**3,180**
EBITDA	**333**	**374**	**118**	**208**	**180**	**184**	**16**	**(6)**	**1,407**
Net profit/(loss) for the period	**113**	**124**	**36**	**68**	**77**	**79**	**(156)**	**7**	**348**
Capital expenditure	(161)	(57)	(38)	(62)	(28)	(46)	-	-	(392)
Depreciation and amortisation	(175)	(191)	(58)	(113)	(77)	(85)	(2)	11	(690)
Other significant non-cash expenses	(4)	(22)	(10)	(11)	(14)	(14)	-	-	(75)
Segment assets	2,515	2,092	594	1,176	781	1,088	470	(500)	8,216
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 consolidated financial statements

E.1. Cash and cash equivalents

Cash and cash equivalents comprise the following:

In millions of EUR, as at 31 December

	2020	2019
Cash on hand	138	167
Current accounts	1,056	1,700
Balances with central banks	253	454
Reverse repo operations with central banks	4,818	7,287
Placements with financial institutions due within one month	123	216
Total cash and cash equivalents	**6,388**	**9,824**

As at 31 December 2020, restricted cash and cash equivalents amount to EUR 271 million (2019: EUR 809 million) from which the majority (EUR 265 million; 2019: EUR 809 million) is restricted by borrowing agreements contracted by Chinese Home Credit and Benxy with creditors either to the disbursement of loans to retail clients or the repayment of loans received from creditors. If cash is used to provide loans to retail clients, the loans are pledged as collateral. Thus, the restrictions on cash effectively increases the security of the creditors.

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

	31 December 2020	31 December 2019
Financial assets at FVTPL	747	322
Financial assets at AC	1,045*	727
Financial assets at FVOCI	1,696	1,787
Total investment securities	**3,488**	**2,836**

*incl. FV hedge adjustment of negative EUR 10 million (refer to C.4.4)

E.2.1. Financial assets at FVTPL

Financial assets at FVTPL comprise the following:

In millions of EUR, as at 31 December

	2020	2019
Financial assets held for trading	446	94
Government and other public-sector bonds	443	90
Corporate bonds	3	4
Positive fair value of trading derivatives	245	164
Interest rate derivatives	182	119
Currency derivatives	63	45
Positive fair values of hedging derivatives	23	15
Financial assets not held for trading	33	49
Corporate bonds	23	49
Loans and receivables	10	-
Total financial assets at FVTPL	**747**	**322**

For more details on notional amounts and the positive and negative fair values of derivative instruments (trading and hedging) refer to E.12.

E.2.2. Financial assets at AC

Financial assets at AC comprise the following:

In millions of EUR, as at 31 December 2020

	Gross amount	Amortised cost
Government bonds	1,038	1,038
Corporate bonds	18	17
Other	4	-
Total financial assets at AC*	**1,060**	**1,055**

*excl. FV hedge adjustment of negative EUR 10 million (refer to C.4.4)

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 AC	**727**	**727**

Credit quality analysis

Impairment losses of EUR 5 million (2019: nil) on financial assets at AC were recognised during the year ended 31 December 2020, which fully relates to a new originated asset.

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and year-end stages classification. The amounts presented are gross of impairment allowances unless otherwise stated. Details of the Group's internal grading system are set out in Note F.1.7. ECL allowances for financial assets at AC as investment securities are calculated on an individual basis.

In millions of EUR, as at 31 December 2020

	Stage 1	Stage 2	Stage 3	POCI	Total
Very low risk	1,038	-	-	-	1,038
Low risk	17	-	-	-	17
Medium risk	-	-	-	-	-
High risk	-	1	-	-	1
Default	-	-	4	-	4
Gross amount	**1,055**	**1**	**4**	**-**	**1,060**
Loss allowance	-	(1)	(4)	-	(5)
Total carrying amount	**1,055**	**-**	**-**	**-**	**1,055**

In millions of EUR, as at 31 December 2019

	Stage 1	Stage 2	Stage 3	POCI	Total
Very low risk	722	-	-	-	722
Low risk	5	-	-	-	5
Medium risk	-	-	-	-	-
High risk	-	-	-	-	-
Default	-	-	-	-	-
Gross amount	**727**	**-**	**-**	**-**	**727**
Loss allowance	-	-	-	-	-
Total carrying amount	**727**	**-**	**-**	**-**	**727**

E.2.3. Financial assets at FVOCI

Financial assets at FVOCI comprise the following:

In millions of EUR

	2020	2019
Debt securities	1,139	1,196
Government bonds	764	678
Corporate bonds	375	518
Equity securities	557	591
Shares	557	591
Total financial assets at FVOCI	**1,696**	**1,787**

As of 31 December 2020, the Group holds 15.8 million shares in Polymetal PLc. (2019: 30.6 million). The fair value amounted to EUR 297 million and a revaluation gain of EUR 132 million was recognised in equity in 2020 (2019: fair value of EUR 430 million; a EUR 184 million gain was recognised in equity). The shares are listed on the London Stock Exchange and classify as Level 1 from a fair value determination perspective.

As of 31 December 2020, the Group holds 15 million shares in the British biotechnology company Autolus Therapeutics PLC, representing a 27.98% share (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 EUR 106 million and a revaluation loss of EUR 61 million was recognised in equity in 2020 (2019: a fair value of EUR 102 million; a EUR 23 million gain was recognised in equity). The shares were acquired by the Group through the US NASDAQ stock exchange. The shares are classified as Level 1 from a fair-value determination perspective.

Credit quality analysis

The following table shows the fair value of the Group's debt instruments at FVOCI split by credit risk, based on the Group's internal rating system and year-end stage classification. Details of the Group's internal grading system are set out in Note F.1.7. ECL allowances for debt instruments at FVOCI are calculated on an individual basis.

In millions of EUR, as at 31 December 2020

Debt securities and loans at FVOCI	Stage 1	Stage 2	Stage 3	POCI	Total
Very low risk	516	-	-	-	516
Low risk	195	-	-	-	195
Medium risk	363	65	-	-	428
High risk	-	-	-	-	-
Default	-	-	-	-	-
Total carrying amount (fair value)	**1,074**	**65**	**-**	**-**	**1,139**

In millions of EUR, as at 31 December 2019

Debt securities and loans at FVOCI	Stage 1	Stage 2	Stage 3	POCI	Total
Very low risk	264	-	-	-	264
Low risk	707	-	-	-	707
Medium risk	184	34	-	-	218
High risk	7	-	-	-	7
Default	-	-	-	-	-
Total carrying amount (fair value)	**1,162**	**34**	**-**	**-**	**1,196**

An analysis of the changes in the corresponding ECL allowances in relation to debt instruments at FVOCI as investment securities is as follows:

In millions of EUR, for the year ended 2020

Loss allowance – debt securities and loans at FVOCI	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1 January	(2)	(1)	-	-	(3)
Change in PD/EAG/LGD, unwind of discount	(2)	-	-	-	(2)
Transfer to Stage 2	-	(2)	-	-	(2)
New originated or purchased	(1)	-	-	-	(1)
Loss allowance as at 31 December	**(5)**	**(3)**	**-**	**-**	**(8)**

In millions of EUR, for the year ended 2019

Loss allowance – debt securities and loans at FVOCI	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1 January	(2)	(1)	-	-	(3)
Change in PD/EAG/LGD, unwind of discount	-	(1)	-	-	(1)
Financial assets derecognised	-	1	-	-	1
Loss allowance as at 31 December	**(2)**	**(1)**	**-**	**-**	**(3)**

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, as at 31 December

	2020	2019
Gross amount	475	583
Allowance for impairment	-	(1)
Total carrying amount	**475**	**582**
Term deposits at banks	49	96
Minimum reserve deposits with central banks	223	139
Loans to banks	39	55
Loans and advances provided under repos	104	198
Cash collateral for derivative instruments	60	94

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.

Credit quality analysis

The following table shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and year-end stages classification. The amounts presented are gross of impairment allowances unless stated otherwise. Details of the Group's internal grading system are set out in Note F.1.7. ECL allowances for loans to banks and other financial institutions are calculated on an individual basis.

In millions of EUR, as at 31 December

					2020	2019
Loans to banks and other financial institutions	Stage 1	Stage 2	Stage 3	POCI	Total	Total
Very low risk	234	-	-	-	234	148
Low risk	195	-	-	-	195	274
Medium risk	46	-	-	-	46	161
High risk	-	-	-	-	-	-
Default	-	-	-	-	-	-
Gross amount	**475**	**-**	**-**	**-**	**475**	**583**
Loss allowance	-	-	-	-	-	(1)
Total carrying amount	**475**	**-**	**-**	**-**	**475**	**582**

As at 31 December 2019, the loss allowance for loans and receivables due from banks and other financial institutions was EUR 1 million. During 2020, the loss allowance decreased due to the changes in the counterparties' credit risk, and its balance as at 31 December 2020 is nil.

E.4. Loans due from customers

Loans due from customers comprise the following items:

In millions of EUR, as at 31 December

	2020	2019
Cash loans	8,931	13,933
Consumer loans	2,386	5,023
Revolving loans	901	806
Mortgage loans	290	240
Car loans	157	141
Loans due from customers – retail (carrying amounts)	**12,665**	**20,143**
Loans to corporations	1,437	1,478
Loans to equity-accounted investees	92	120
Loans and advances provided under repo operations	-	10
Other	12	3
Loans due from customers – non-retail (carrying amounts)	**1,541**	**1,611**
Total loans due from customers (carrying amounts)*	**14,206**	**21,754**

*in 2020, incl. total FV hedge adjustment of positive EUR 14 million (where EUR 4 million for cash loans, EUR 2 million for revolving loans, EUR 7 million for mortgage loans and EUR 1 million for car loans, refer to C.4.4).

E.4.1.1. Loans due from customers – retail

Loans due from customers – retail comprise the following:

In millions of EUR, as at 31 December 2020

	Cash loans	Consumer loans	Revolving loans	Other*	Total
Gross amount	**10,461**	**2,586**	**970**	**463**	**14,480**
Stage 1	7,267	2,095	736	406	10,504
Stage 2	2,552	294	170	36	3,052
Stage 3	642	197	64	21	924
POCI	-	-	-	-	-
Allowance for impairment	**(1,534)**	**(201)**	**(71)**	**(23)**	**(1,829)**
Stage 1	(273)	(54)	(17)	(1)	(345)
Stage 2	(995)	(68)	(12)	(2)	(1,077)
Stage 3	(266)	(79)	(42)	(20)	(407)
POCI	-	-	-	-	-
Total carrying amount**	**8,927**	**2,385**	**899**	**440**	**12,651**

*incl. mortgage loans and car loans
**excl. total FV hedge adjustment of positive EUR 14 million (where EUR 4 million for cash loans, EUR 2 million for revolving loans, EUR 7 million for mortgage loans and EUR 1 million for car loans, refer to C.4.4)

In millions of EUR, as at 31 December 2019

	Cash loans	Consumer loans	Revolving loans	Other*	Total
Gross amount	**15,166**	**5,267**	**885**	**405**	**21,723**
Stage 1	12,627	4,819	644	339	18,429
Stage 2	1,623	239	177	44	2,083
Stage 3	916	209	64	22	1,211
POCI	-	-	-	-	-
Allowance for impairment	**(1,233)**	**(244)**	**(79)**	**(24)**	**(1,580)**
Stage 1	(462)	(95)	(18)	(2)	(577)
Stage 2	(364)	(50)	(11)	(2)	(427)
Stage 3	(407)	(99)	(50)	(20)	(576)
POCI	-	-	-	-	-
Total carrying amount	**13,933**	**5,023**	**806**	**381**	**20,143**

*incl. mortgage loans and car loans

Credit quality analysis:

The Group's maximum exposure to credit risk and the year-end stage classification are shown in the above table. The Group does not apply its internal credit rating system to retail portfolios as other more appropriate measures are applied. Details of these measures are set out in Note F.1.7. ECL allowances for retail loans due from customers (consumer lending) are calculated on a collective basis.

An analysis of the changes in the corresponding ECL allowances in relation to loans due from customers – retail results in the following:

In millions of EUR, for the year ended 31 December 2020

Loss allowance – Loans due from customers - retail	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1 January	**(577)**	**(427)**	**(576)**	**-**	**(1,580)**
Changes in the loss allowance	150	(719)	(346)	-	(915)
Transfer to Stage 1	(7)	18	-	-	11
Transfer to Stage 2	139	(864)	3	-	(722)
Transfer to Stage 3	18	127	(349)	-	(204)
New originated or purchased	(117)	(85)	(58)	-	(260)
Change in PD/EAD/LGD, unwind of discount, changes to model assumptions	(520)	(457)	(722)	-	(1,699)
Financial assets fully repaid	172	95	67	-	334
Write-offs	521	480	1,206	-	2,207
FX and other movements	26	36	22	-	84
Net change during the period	**232**	**(650)**	**169**	**-**	**(249)**
Loss allowance as at 31 December	**(345)**	**(1,077)**	**(407)**	**-**	**(1,829)**

In millions of EUR, for the year ended 31 December 2019

Loss allowance – Loans due from customers - retail	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1 January	**(504)**	**(362)**	**(1,224)**	**-**	**(2,090)**
Additions resulting from business combinations	-	-	(3)	-	(3)
Changes in the loss allowance	108	(4)	(918)		(814)
Transfer to Stage 1	(10)	17	-		7
Transfer to Stage 2	49	(222)	3		(170)
Transfer to Stage 3	69	201	(921)		(651)
New originated or purchased	(415)	(202)	(250)	-	(867)
Change in PD/EAD/LGD, unwind of discount, changes to model assumptions	(31)	(345)	(420)	-	(796)
Financial assets fully repaid	202	101	115	-	418
Write-offs	72	392	2,150	-	2,614
FX and other movements	(9)	(7)	(26)	-	(42)
Net change during the period	**(73)**	**(65)**	**648**	**-**	**510**
Loss allowance as at 31 December	**(577)**	**(427)**	**(576)**	**-**	**(1,580)**

E.4.1.2. Loans to corporations and equity-accounted investees – non-retail

Loans to corporations and equity-accounted investees comprise the following:

In millions of EUR, as at 31 December

	2020	2019
Gross amount	**1,630**	**1,657**
Loans to corporations	1,535	1,537
Loans to equity-accounted investees	95	120
Allowances for impairment	**(101)**	**(59)**
Total carrying amount*	**1,529**	**1,598**

*excl. loans and advances provided under repo operations and other

<u>Credit quality analysis:</u>

The following table shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and year-end stages classification. The amounts presented are gross of impairment allowances. Details of the Group's internal grading system are set out in Note F.1.7. ECL allowances for non-retail loans due from customers comprising loans to corporations and to equity-accounted investees, are calculated on an individual basis.

In millions of EUR, as at 31 December

					2020	2019
Loans due from customers – non-retail (corporations and equity-accounted investees)	Stage 1	Stage 2	Stage 3	POCI	Total	Total
Very low risk	287	-	-	-	287	247
Low risk	132	-	-	-	132	227
Medium risk	743	160	-	-	903	998
High risk	1	66	-	-	67	56
Default	-	-	241	-	241	129
Total gross amount	**1,163**	**226**	**241**	**-**	**1,630**	**1,657**
Loss allowance	(12)	(15)	(74)	-	(101)	(59)
Total carrying amount*	**1,151**	**211**	**167**	**-**	**1,529**	**1,598**

*excl. loans and advances provided under repo operations and other

The changes in the corresponding ECL allowances in relation to loans to corporations and to equity-accounted investees are analysed below:

In millions of EUR, for the year ended 31 December 2020

Loans due from customers – non-retail (corporations and equity-accounted investees)	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1 January	(9)	(1)	(49)	-	(59)
Changes in the loss allowance	3	(3)	(32)	-	(32)
Transfer to Stage 2	2	(3)	-	-	(1)
Transfer to Stage 3	1	-	(32)	-	(31)
New originated or purchased	(6)	-	-	-	(6)
Change in PD/EAD/LGD, unwind of discount, changes to model assumptions	(5)	(12)	(17)	-	(34)
Financial assets fully repaid	2	1	1	-	4
Financial assets derecognised	3	-	-	-	3
Write-offs	-	-	18	-	18
FX and other movements	-	-	5	-	5
Net change during the period	(3)	(14)	(25)	-	(42)
Loss allowance as at 31 December	**(12)**	**(15)**	**(74)**	**-**	**(101)**

In millions of EUR, for the year ended 31 December 2019

Loans due from customers – non-retail (corporations)	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1 January	(24)	-	(60)	-	(84)
Changes in the loss allowance	(3)	-	(1)	-	(4)
Transfer to Stage 1	(3)	-	-	-	(3)
Transfer to Stage 3	-	-	(1)	-	(1)
New originated or purchased	(2)	(1)	(8)	-	(11)
Change in PD/EAD/LGD, unwind of discount, changes to model assumptions	(2)	-	-	-	(2)
Financial assets fully repaid	5	-	6	-	11
Write-offs	17	-	17	-	34
FX and other movements	-	-	(3)	-	(3)
Net change during the period	15	(1)	11	-	25
Loss allowance as at 31 December	**(9)**	**(1)**	**(49)**	**-**	**(59)**

E.5. Trade and other receivables, contract balances

Trade and other receivables and contract assets comprise the following:

In millions of EUR, as at 31 December

	2020	2019
Gross amount	1,185	1,136
Trade receivables	1,144	1,099
Accrued income	41	37
Individual impairment	(126)	(85)
Total trade and other receivables	**1,059**	**1,051**
Gross amount	298	288
Individual impairment	(1)	(1)
Total contract assets	**297**	**287**

Credit quality analysis

The Group generally uses an allowance matrix to measure the ECLs of trade receivables from individual customers, which comprise a large number of small balances. In the engineering segment, where trade receivables comprise a small number of large balances, a specific allowance for impairment is used. In contrast, in the telecommunications and real estate segments, where a large number of small balances is typical, the portfolio approach is applied.

Loss rates are calculated using the roll rate method based on the probability of receivables progressing through the successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the following common credit risk characteristics: geographic region, age of customer relationship, and type of product purchased.

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets from individual customers using the provision matrix.

In millions of EUR, as at 31 December 2020

	Weighted-average loss rate	**Gross amount**	**Loss allowance**	**Carrying amount**	**Credit-impaired**
Current (not past due)	2.0%	1,245	(25)	1,220	No
1-90 days	5.7%	106	(6)	100	No
91-180 days	30.0%	30	(9)	21	Yes
more than 180 days past due	85.3%	102	(87)	15	Yes
Total		**1,483**	**(127)**	**1,356**	

In millions of EUR, as at 31 December 2019

	Weighted-average loss rate	**Gross amount**	**Loss allowance**	**Carrying amount**	**Credit-impaired**
Current (not past due)	0.7%	1,212	(9)	1,203	No
1-90 days	5.4%	93	(5)	88	No
91-180 days	20.0%	30	(6)	24	Yes
more than 180 days past due	74.2%	89	(66)	23	Yes
Total		**1,424**	**(86)**	**1,338**	

Loss rates are based on actual credit loss experiences over past years. The rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data was collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. The most significant scalar factors are the GDP forecast and industry outlook as well as actual and forecasted unemployment rates.

The movements in the allowance for impairment in respect of trade and other receivables and contract assets during the year were as follows.

In millions of EUR, for the year ended 31 December

	2020	2019
Balance as at 1 January	(85)	(50)
Additions resulting from business combination	(8)	-
Impairment losses recognised in the income statement	(42)	(26)
Release of impairment losses on written off items	11	(1)
Effect of movements in exchange rates	(3)	(8)
Balance as at 31 December	**(127)**	**(85)**

Contract assets and contract liabilities

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

In millions of EUR, for the year ended 31 December

	2020	2019
Receivables, which are included in trade and other receivables	350	191
Contract assets	**297**	**287**
out of which:		
Contract assets (mechanical engineering)	227	206
Contract assets (telecommunications)	62	81
Contract assets (real estate)	8	-
Contract liabilities	**(352)**	**(277)**
out of which:		
Contract liabilities (mechanical engineering)	(251)	(169)
Contract liabilities (telecommunications)	(101)	(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 telecommunications 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 contract assets particularly 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 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 telecommunications 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.

Significant changes in the contract assets and the contract liabilities balances during the period are as follows:

In millions of EUR, for the period ended 31 December 2020

	Contract assets	Contract liabilities
Balance as at 1 January	287	(277)
Revenue recognised that was included in the contract liability balance at the beginning of the period	-	82
Increases due to cash received, excluding amounts recognised as revenue during the period	-	(166)
Transfers from contract assets recognised at the beginning of the period to receivables	(133)	-
Offset of contract assets recognised at the beginning of the period with advances received	(8)	-
Increases as a result of changes in the measure of progress	156	-
Effect of movements in exchange rates	(5)	9
Balance as at 31 December	**297**	**(352)**

In millions of EUR, for the period ended 31 December 2019

	Contract assets	Contract liabilities
Balance as at 1 January	277	(208)
Revenue recognised that was included in the contract liability balance at the beginning of the period	-	67
Increases due to cash received, excluding amounts recognised as revenue during the period	-	(133)
Transfers from contract assets recognised at the beginning of the period to receivables	(111)	-
Increases as a result of changes in the measure of progress	124	-
Effects of movements in exchange rates	(3)	(3)
Balance as at 31 December	**287**	**(277)**

The transaction price allocated to the remaining performance obligations related to contracts with customers (unsatisfied or partially unsatisfied) is as follows:

In millions of EUR, as at 31 December

	2020	2019
within 1 year	1,080	1,013
1-2 years	918	572
2-5 years	803	1,209
more than 5 years	672	686
Transaction price on performance obligations yet to be satisfied	**3,473**	**3,480**

E.6. Inventories and programming assets

Inventories comprise the following:

In millions of EUR, as at 31 December

	2020	2019
Mechanical engineering inventories	134	109
Goods/merchandise for resale	77	80
Trading property	28	20
Agricultural inventories	4	7
Total inventories	**243**	**216**

The carrying amounts of inventories comprise impairment of EUR 24 million (2019: EUR 12 million) and notably represent an allowance for mechanical engineering categories and slow-moving and damaged items.

Programming assets comprise the following:

In millions of EUR, as at 31 December

	2020
Acquired programming rights	68
Produced programming rights	60
Released	36
Completed but not transmitted	3
In the course of production	21
Prepayments on acquired programming rights, other programming assets	28
Total programming assets	**156**

Programming assets relate solely to Group's media business, represented by the CME group acquired in 2020 (refer to B.2.4). The balance contains acquired licenses from third parties, own production and related prepayments (refer to F.1.16).

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, for the year ended 31 December

	2020	2019
LEAG*	696	659
Metropolis (Russia)	47	57
Mall Group	38	46
Heureka Group**	19	25
ClearBank	28	20
Temsa*	20	-
Other	49	77
Total equity-accounted investees	**897**	**884**

*a joint-venture
**demerged from Mall Group in October 2019

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

In millions of EUR, for the year ended 31 December

	2020	2019
LEAG*	67	131
Metropolis (Russia)	37	(19)
Mall Group	(19)	(26)
Heureka Group**	2	1
The Culture Trip***	(15)	(35)
ClearBank	(15)	(22)
Temsa*	12	-
Other	1	7
Total share of profit/(loss) of equity-accounted investees	**70**	**37**

*a joint-venture
**demerged from Mall Group in October 2019
***In September 2020, The Culture Trip became a fully consolidated entity.

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, as at 31 December

	2020	2019
Percentage ownership interest	**50.00%**	**50.00%**
Non-current assets	2,894	2,401
Current assets	3,300	3,396
Non-current liabilities	(3,345)	(2,902)
Current liabilities	(1,457)	(1,577)
Net assets (100%)	1,392	1,318
Carrying amount of investment in JV (50.00%)	**696**	**659**
Total revenue	2,515	2,340
Total net profit/(loss) for the period (100%)	134	261
Total share in profit/(loss) (50.00%)	**67**	**131**
Total other comprehensive income/(expense) for the period (100%)	(60)	(380)
Group's share of other comprehensive income/(expense) (50%)	(30)	(190)

Other comprehensive income comprises a cash flow hedge effect related to the forward contracts for CO_2 emission rights. The hedging instruments are commodity derivatives designed to hedge the purchase price for future purchases of emission rights.

The other comprehensive expense in 2020 and 2019, as well as profit or loss, follows the development of emission rights market prices.

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 the rouble exchange rate, the project made a revaluation gain compensated by a translation loss of EUR 90 million (2019: a translation gain of EUR 49 million), recorded directly in equity.

In millions of EUR, as at 31 December

	2020	2019
Percentage ownership interest	**49.99%**	**49.99%**
Non-current assets	350	369
Current assets	15	11
Non-current liabilities	(255)	(249)
Current liabilities	(16)	(16)
Net assets (100%)	94	115
Carrying amount of investment in associate (49.99%)	**47**	**57**
Total revenue	33	38
Total net profit/(loss) for the period (100%)	73	(38)
Total share in profit/(loss) (49.99%)	**37**	**(19)**
Total other comprehensive income/(expense) for the period (100%)	(90)	49
Group's share of other comprehensive income/(expense) (49.99%)	(45)	24
Dividends received by the Group	2	2

Mall Group

In October 2017, the Group acquired a 40% stake in Mall Group a.s. The investment comprised Mall Group 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 formed Heureka Group a.s. The below figures for 2019 are presented for the already demerged groups.

The following table presents the performance of Mall Group:

In millions of EUR, as at 31 December

	2020	2019
Percentage ownership interest	**40.00%**	**40.00%**
Non-current assets	160	169
Current assets	185	197
Non-current liabilities	(36)	(38)
Current liabilities	(215)	(213)
Net assets (100%)	94	115
Group's share of net assets (40%)	38	46
Goodwill included in carrying amount	-	-
Carrying amount of investment in associate (40%)	**38**	**46**
Total revenue	840	708
Total net profit/(loss) for the period (100%)	(47)	(66)
Total share in profit/(loss) (40%)	**(19)**	**(26)**

The following table presents the performance of Heureka Group:

In millions of EUR, as at 31 December

	2020	2019
Percentage ownership interest	**40.00%**	**40.00%**
Non-current assets	24	30
Current assets	40	15
Non-current liabilities	(196)	(175)
Current liabilities	(31)	(26)
Net assets (100%)	(163)	(156)
Group's share of net assets (40%)	(65)	(62)
Goodwill included in carrying amount	84	87
Carrying amount of investment in associate (40%)	**19**	**25**
Total revenue*	65	21
Total net profit/(loss) for the period (100%)*	2	3
Total share in profit/(loss) (40%)*	**2**	**1**

*since demerger from Mall Group a.s. on 1 October 2019.

ClearBank

ClearBank is a newly established UK bank that has been providing clearing and settlement services since 2017. As of December 2020, the Group holds a 40.61% share (2019: 39.31%) with a net asset value of EUR 65 million (2019: EUR 47 million).

Temsa

In October 2020, the Group acquired a 50% stake in Temsa Ulasim Araclari Sanayi ve Ticaret A.S. Temsa is a Turkish bus manufacturer with its subsidiaries in Germany, France and USA responsible for sales and marketing activities (refer to B.2.3.).

The following table presents the performance of TEMSA:

In millions of EUR, as at 31 December

	2020
Percentage ownership interest	**50.00%**
Non-current assets	118
Current assets	108
Non-current liabilities	(112)
Current liabilities	(74)
Net assets (100%)	40
Group's share of net assets (50%)	20
Carrying amount of investment in associate (50%)	**20**
Total revenue*	22
Total net loss for the period (100%)*	(4)
Group's share on the net profit/(loss) (50%)	(2)
Gain on bargain purchase recognised directly to profit	14
Total share in profit/(loss) (50%)	**12**

*total revenue and net loss presented as since the acquisition from 31 October to 31 December 2020.

E.8. Investment property

Investment property comprises projects located in the Russian Federation, the Czech Republic, the Netherlands, the UK, Romania and Germany and consists 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 31 December 2020

	Russia	Czech Republic	Netherlands	UK	Romania	Germany	Total
Land plot	60	7	-	-	-	-	67
Office	382	93	366	119	95	24	1,079
Warehouse	270	-	-	-	-	-	270
Retail	247	-	27	-	-	-	274
Residential	-	14	-	27	-	-	41
Other	60	-	-	-	-	-	60
Total investment property	**1,019**	**114**	**393**	**146**	**95**	**24**	**1,791**

In millions of EUR, as at 31 December 2019

	Russia	Czech Republic	Netherlands	UK	Romania	Germany	Total
Land plot	120	6	-	-	-	-	126
Office	453	88	363	128	96	20	1,148
Warehouse	325	-	-	-	-	-	325
Retail	322	1	27	-	-	-	350
Residential	-	15	-	27	-	-	42
Other	11	-	-	-	-	-	11
Total investment property	**1,231**	**110**	**390**	**155**	**96**	**20**	**2,002**

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

In millions of EUR, for the year ended 31 December

	2020	2019
Balance as at 1 January	2,002	1,743
Recognition of ROU asset in initial application of IFRS 16	-	4
Adjusted balance as at 1 January 2019	2,002	1,747
Additions resulting from business combination	-	206
Disposals resulting from business combination	(27)	(182)
Additions - capitalised costs	43	22
Disposals	(2)	(12)
Transfers	(4)	(14)
Unrealised gains from investment property	109	165
Unrealised losses from investment property	(18)	(44)
Effect of movements in exchange rates	(312)	112
Other changes	-	2
Balance as at 31 December	**1,791**	**2,002**

The most significant transaction in the real estate segment in 2020 was a sale of a land plot owned by Mitino Sport City LLC (refer to B.2.5).

E.8.1. Techniques used for valuing investment property

Residual calculation

The residual method takes into consideration the level of revenues or sales that could be achieved by disposing of development properties. The total sum of these revenues or sales is known as the gross development value (GDV) and includes all separate areas that comprise the entire development, including residential and/or commercial areas (apartment areas, terraces/balconies, garages, parking, cellars and any garden areas).

From the GDV figure, the total development costs associated with the development of the project are deducted to arrive at the residual or market value of the land. These deductions typically include construction costs together with any contingency element, ancillary costs, legal/agency and professional fees, purchaser costs, financing costs and the developer's profit or required rate of return for the risk of undertaking the project.

Income approach – discounted cash flow (DCF) calculation

The income approach is used to value commercial and investment properties. Because it is intended to directly reflect or model the expectations and behaviours of typical market participants, this approach is generally considered the most applicable valuation technique for income-producing properties, where sufficient market data exists.

In a commercial income-producing property, this approach capitalises an income stream into the present value. This can be done using revenue multipliers or capitalisation rates applied to net operating income.

The DCF methodology reflects the market's perception of a relationship between a property's potential income and its market value, a relationship expressed as a capitalisation rate or yield. This approach converts the anticipated benefits in terms of income (cash flow) or amenity to be derived from the ownership of the property into a value indication through capitalisation. This approach is widely used when appraising either income-producing properties or properties capable of producing an income. The property is valued by capitalising the future cash flow produced by the building at the end of the assumed holding period. These future cash flows (both rental and capital receipts from an assumed sale, and assumed expenditure required to realise same) are then discounted back at a discount rate that reflects a typical investor's overall target rate of return.

Sales comparable approach

This method relies on direct evidence from the market of sales and/or offers on properties with similar characteristics. As it is difficult to find evidence of comparables which are identical to any given property which is to be valued, the evidence must be adjusted to align it with the property in question. This allows the comparable evidence to be utilised in a calculation. The adjustments made will vary depending on the drivers of value in any given market and the specific differences between the property being valued and the comparables. The amount of adjustment depends on the judgement and knowledge of the valuer and relies on their skill and understanding of the market.

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

The following table summarises the significant inputs used in measuring the fair value of investment property used in the valuation of income-generating properties:

For the year ended 31 December 2020

	Current income per sqm	Market rent per sqm	Initial yield	Reversionary yield
Netherlands	EUR 8.38-17.25	EUR 10.3-17.53	4.65%-8.85%	5.9%-12.08%
Germany	EUR 10.5	EUR 12.06	5.00%	7.43%
Czech Republic	EUR 12.94-14.83	EUR 14.56-15.54	5.71%-7.28%	6.24%-7.44%
Russia	EUR 4.06-35.29	EUR 4.67-39.51	7.41%-10.7%	8.53%-11.22%
Romania	Eur 6.72-17.07	EUR 17.92-18.04	7.4%-7.6%	6.75%
United Kingdom	EUR 13.61	EUR 42.05	1.39%	8.04%

For the year ended 31 December 2019

	Current income per sqm	Market rent per sqm	Initial yield	Reversionary yield
Netherlands	EUR 7.94-16.12	EUR 11.62-17.67	3.53%-7.84%	5.01%-9.03%
Germany	EUR 10.50	EUR 11.06	6.80%	7.81%
Czech Republic	EUR 9.30-12.31	EUR 12.89-14.97	3.71%-5.98%	6.27%-6.62%
Russia	EUR 6.13-41.17	EUR 5.14-38.82	8.31%-10.84%	7.57%-10.87%
Romania	EUR 6.03-17.88	EUR 17.19-18.18	2.68%-7.35%	6.71%-7.75%
United Kingdom	EUR 19.12	EUR 48.13	2.74%	6.89%

The Group categorised investment property within Level 3 of the fair value hierarchy, as certain inputs for the assessment of the fair value are unobservable.

E.9. Property, plant and equipment

The following table shows the roll-forward of property, plant and equipment (excl. right-of-use assets):

In millions of EUR, for the year ended 31 December 2020

	Land and buildings	Ducts, cables and related plant	Telecom technology and related equipment	Other tangible assets and equipment	Construction in progress	Total
Carrying amount						
Balance as at 1 January	744	1,317	678	310	147	3,196
Additions resulting from business combinations	47	-	-	40	2	89
Additions	39	35	125	59	115	373
Disposals	(1)	-	(6)	(5)	(1)	(13)
Other movements	2	11	53	17	(89)	(6)
Depreciation charge	(32)	(70)	(153)	(100)	-	(355)
Impairment reversal/(charge)	(8)	-	-	-	(4)	(12)
Effect of movements in exchange rates	(30)	(42)	(16)	(15)	(1)	(104)
Balance as at 31 December	**761**	**1,251**	**681**	**306**	**169**	**3,168**
Cost	983	1,761	1,272	695	173	4,884
Accumulated depreciation and impairment	(222)	(510)	(591)	(389)	(4)	(1,716)

The roll-forward of right-of-use assets amounting to EUR 621 million as at 31 December 2020 (2019: EUR 666 million) is disclosed in E.22.1.

In millions of EUR, for the year ended 31 December 2019

	Land and buildings	Ducts, cables and related plant	Telecom technology and related equipment	Other tangible assets and equipment	Construction in progress	Total
Carrying amount						
Balance as at 1 January	688	1,325	655	337	153	3,158
Additions resulting from business combinations	16	-	1	2	-	19
Additions	47	34	143	59	86	369
Disposals	(1)	-	(2)	(7)	(3)	(13)
Other movements	13	12	49	9	(84)	(1)
Depreciation charge	(29)	(70)	(166)	(98)	-	(363)
Impairment charge	-	-	-	(1)	(1)	(2)
Effect of movements in exchange rates	10	16	(2)	9	(4)	29
Balance as at 31 December	**744**	**1,317**	**678**	**310**	**147**	**3,196**
Cost	945	1,773	1,214	668	150	4,750
Accumulated depreciation and impairment	(201)	(456)	(536)	(358)	(3)	(1,554)

In both periods, the most significant additions of PPE relate to the construction and renovation of telecommunications infrastructure in CETIN and the construction of a telecommunications network in O2 Slovakia.

E.10. Intangible assets and goodwill

E.10.1. Goodwill

The following table shows the roll-forward of goodwill:

In millions of EUR, for the year ended 31 December

	2020	2019
Balance as at 1 January	1,659	1,648
Additions from business combinations	1,342	15
Impairment losses recognised	(14)	-
Effect of movements in exchange rates	(32)	(4)
Balance as at 31 December	**2,955**	**1,659**

Goodwill is allocated to individual CGUs as follows:

In millions of EUR, as at 31 December

	2020	2019
O2 CR – Czech operations	388	401
O2 CR – Slovak operations	40	40
CETIN Czech Republic	108	111
CETIN Hungary*	186	-
CETIN Bulgaria*	104	-
CETIN Serbia*	188	-
Telenor Hungary*	192	421
Telenor Bulgaria*	118	219
Telenor Serbia*	183	369
Telenor Montenegro	42	42
CME - Bulgaria	58	-
CME - Czech Republic	631	-
CME - Romania	371	-
CME - Slovak Republic	201	-
CME - Slovenia	90	-
Other	55	56

*Due to the business restructuring on 1 July 2020, a part of the goodwill was re-allocated from Telenor entities to the newly established CETIN entities (refer to B.2.5).

Goodwill is tested annually for impairment. A reasonably possible change in the key assumptions on which the management has based its determination of the recoverable amounts would not result in carrying amounts higher than their recoverable amounts.

O2 CR

The impairment test involves determining the recoverable amount of the consolidated entity, corresponding to the value in use. The value in use is the present value of future cash flows expected to be derived from the CGU.

Value in use is determined in a discounted cash flow enterprise valuation model and derived from cash flow forecasts based on the analyst mean forecast sourced from Thomson Reuters Eikon (for 2021 to 2023). Cash flows beyond the forecast period were extrapolated (for 2024 to 2027) using appropriate growth rates based on general economic data derived from macroeconomic and financial studies.

The calculation of value in use is most sensitive to the following assumptions:

Estimated growth rate in terminal value – forecasts of the market and regulatory environment in which the company conducts its principal business, as well as the investment life cycle, are the basis for determining the value assigned to the estimated growth rate. A 1.0% growth rate is used.

Discount rate – the discount rate reflects the Group's estimate of the risk and related expected return specific to the CGU. The weighted average cost of capital forms the basis for the determination of the discount rate. Relevant data taken from independent financial analysts as a benchmark for the weighted average cost of capital are used to determine the discount rate. The resulting discount rate and its effect on value in use are tested for sensitivity. The current methodology used as at 31 December 2020 will be subject to regular reassessments and potential adjustments.

The discounted cash flow valuation is supported by a valuation using the market approach based on publicly traded peer companies. The multiple of enterprise value (EV) to earnings before interest, taxes, depreciation and amortisation (EBITDA) was selected as the most suitable multiple, as EBITDA is considered to be the closest approximate of free cash flow. The value estimates the draw on EV/EBITDA multiples based on market data as at the valuation date and the EBITDA of the peer public companies for 2020. Additionally, the EV/Sales multiple is considered as well.

As O2 CR is a publicly traded company on the Prague Stock Exchange, its share price on the exchange was considered a supportive indication of value, while taking into consideration share liquidity.

The final value in use is allocated into two O2 CR cash generating sub-units, O2 Czech Republic and its subsidiary O2 Slovakia, in the following way: The enterprise value is divided by the proportion of the sub-units' EBITDAs, and the respective net debts of the sub-units are subtracted to calculate the resulting equity values.

TELENOR

Telenor's CEE businesses operate in four countries, identified as individual CGUs for the purposes of the impairment test. These operating businesses are in Hungary, Bulgaria, Serbia and Montenegro.

The impairment test involves determining the recoverable amounts of the above four cash-generating units corresponding to their value in use. The value in use of a CGU is the present value of the future cash flows expected to be derived from each CGU.

Value in use is determined in an enterprise valuation model and assessed from the group-internal perspective. Value in use is derived from the most recent forecast for a period of five years (for 2021 to 2025), prepared by management at the time of the impairment test. The forecast is based on past experience as well as on future market trends. Further, the forecast considers general economic data derived from macroeconomic and financial studies. The key assumptions on which management bases its business plan and growth rates include trends in the gross domestic product, interest rates, nominal wages, capital expenditures, market share, growth rates, and discount rates. Cash flows beyond the management forecast period were extrapolated (for 2026 to 2027) using the appropriate growth rates based on general economic data derived from macroeconomic and financial studies.

The calculations of value in use for each Telenor CGU are most sensitive to the following assumptions:

Estimated growth rate in terminal value – forecasts of the market and regulatory environment in which the companies conduct their principal businesses, as well as the investment life cycle, are the basis for determining the value assigned to the estimated growth rate. A growth rate of 1.0% is used for Hungary and Bulgaria and growth rates of 1.5% and 2.5% are used for Serbia and Montenegro, respectively.

Discount rate – this reflects the Group's estimate of the risk and related expected return. The weighted average cost of capital forms the basis for the determination of the discount rate. Relevant data taken from independent financial analysts as a benchmark for the weighted average cost of capital is used to determine the discount rate for each respective Telenor CGU. The resulting discount rates and their effect on value in use are tested for sensitivity. The current methodology used as at 31 December 2020 will be subject to regular reassessments and potential adjustments.

The discounted cash flow valuation is supported by a valuation using the market approach based on publicly traded peer companies. The multiple of enterprise value (EV) to earnings before interest, taxes, depreciation and amortisation (EBITDA) was selected as the most suitable multiple, as EBITDA is considered to be the closest approximate of free cash flow. The value estimates draw on EV/EBITDA multiples based on market data as at the valuation date and the EBITDA of the peer public companies for 2020.

CETIN CR

The impairment test involves determining the CETIN CR cash-generating unit's recoverable amount, corresponding to the value in use. Value in use is the present value of the future cash flows expected to be derived from the CGU.

Value in use is determined in an enterprise valuation model and assessed from a group-internal perspective. Value in use is derived from the medium-term forecast for a period of seven years (for 2021 to 2027), prepared by management and most recent at the time of the impairment test. The medium-term forecast is based on past experience as well as on future market trends. Further, the medium-term forecast is based on general economic data derived from macroeconomic and financial studies. The key assumptions on which management bases its business plan and growth rates include trends in the gross domestic product, interest rates, nominal wages, capital expenditures, market share, growth rates, and discount rates.

The calculations of value in use for CGU are most sensitive to the following assumptions:

Estimated growth rate in terminal value – forecasts of the market and regulatory environment in which the company conducts its principal business, as well as the investment life cycle, are the basis for determining the value assigned to the estimated growth rate. A 1.0% growth rate is used.

Discount rate – this reflects the Group's estimate of the risk and related expected return. The weighted average cost of capital forms the basis for the determination of the discount rate. Relevant data taken from independent financial analyses as a benchmark for the weighted average cost of capital is used to determine the discount rate. The resulting discount rate and its effect on value in use are tested for sensitivity. The current methodology used as of 31 December 2020 will be subject to regular reassessments and potential adjustments.

The discounted cash flow valuation is supported by a valuation using the market approach based on publicly traded peer companies. The multiple of enterprise value (EV) to earnings before interest, taxes, depreciation and amortisation (EBITDA) was selected as the most suitable multiple, as EBITDA is considered to be the closest approximate of free cash flow. The value estimates draw on EV/EBITDA multiples based on market data as at the valuation date and the EBITDA of the peer public companies for 2020. Additionally, the EV/Sales multiple is considered as well.

CETIN CEE (excl. CR)

CETIN's CEE businesses represent operating companies in three countries, and were identified as individual CGUs for the purposes of the impairment test.

The impairment test involves determining the above three cash-generating unit's recoverable amount, corresponding to the value in use. Value in use is the present value of the future cash flows expected to be derived from the CGUs.

Value in use is determined in an enterprise valuation model and assessed from a group-internal perspective. Value in use is derived from the medium-term forecast for a period of seven years (for 2021 to 2027), prepared by management and most recent at the time of the impairment test. The medium-term forecast is based on past experience, future market trends, and general economic data derived from macroeconomic and financial studies. The key assumptions on which management bases its business plan and growth rates include trends in the gross domestic product, interest rates, nominal wages, capital expenditures, market share, growth rates, and discount rates.

The calculations of a CGU's value in use are most sensitive to the following assumptions:

Estimated growth rate in terminal value – forecasts of the market and regulatory environment in which the company conducts its principal business, as well as the investment life cycle, are the basis for determining the value assigned to the estimated growth rate. A growth rate of 1.0% is used for Hungary and Bulgaria, with a growth rate of 1.5% used for Serbia.

Discount rate – this reflects the Group's estimate of the risk and related expected return. The weighted average cost of capital forms the basis for the determination of the discount rate. Relevant data taken from independent financial analyses as a benchmark for the weighted average cost of capital is used to determine the discount rate. The resulting discount rate and its effect on value in use are tested for sensitivity. The current methodology used as at 31 December 2020 will be subject to regular reassessments and potential adjustments.

The discounted cash flow valuation is supported by a valuation using the market approach based on publicly traded peer companies. The multiple of enterprise value (EV) to earnings before interest, taxes, depreciation and amortisation (EBITDA) was selected as the most suitable multiple, as EBITDA is considered to be the closest approximate of free cash flow. The value estimates draw on EV/EBITDA multiples based on market data as at the valuation date and the EBITDA of the publicly traded peer companies for 2020.

<u>CME</u>

The CME group was acquired by the Group on 13 October 2020 and the appropriate PPA exercise was properly completed with the allocation of goodwill to individual CGUs. For more details, refer to B.2.4. As at year end, no changes in key valuation assumptions and economic indicators occurred that could result in any indications of goodwill impairment.

E.10.2. Intangible assets

Intangible assets comprise the following:

In millions of EUR, as at 31 December

	2020	2019
Software	542	569
Licences	556	559
Customer relationships	764	900
In-process research and development	206	323
Trademark	349	120
Work in progress	143	51
Other	124	71
Total intangible assets	**2,684**	**2,593**

Licences (including spectrum licences) facilitate the roll-out of mobile services. Customer relationships are an asset ensuring a long-term revenue stream from customers who have made commitments to purchase specific amounts of products or services. In the case of O2 CR and Telenor, they comprise individuals, small/home offices, and corporations.

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

In millions of EUR, for the year ended 31 December 2020

	Software	Licences	Customer relationships	IPRD	Trademarks	Other intangible assets	Work in progress	Total
Carrying amount								
Balance as at 1 January	569	559	900	323	120	71	51	2,593
Additions resulting from business combinations	15	-	-	-	192	-	2	209
Additions	126	104	-	23	65	32	109	459
Additions from internal development	35	-	-	14	-	-	23	72
Disposal	(16)	-	-	-	-	(1)	-	(17)
Other movements	20	(2)	(1)	(26)	(4)	53	(34)	6
Amortisation charge	(178)	(82)	(109)	(4)	(23)	(31)	-	(427)
Impairment charge	(5)	-	-	(113)	-	-	(6)	(124)
Effect of movements in exchange rates	(24)	(23)	(26)	(11)	(1)	-	(2)	(87)
Balance as at 31 December	**542**	**556**	**764**	**206**	**349**	**124**	**143**	**2,684**
Cost	1,336	892	1,290	332	522	195	148	4,715
Accumulated amortisation and impairment losses	(794)	(336)	(526)	(126)	(173)	(71)	(5)	(2,031)

In 2020, the impairment of in-process-research-and-development assets relates to biotech (EUR 87 million) and mechanical engineering (EUR 26 million) businesses.

In millions of EUR, for the year ended 31 December 2019

	Software	Licences	Customer relation-ships	IPRD	Trade-marks	Other intangible assets	Work in progress	Total
Carrying amount								
Balance as at 1 January	518	608	1,018	287	138	76	28	2,673
Additions resulting from business combinations	4	-	-	-	-	-	-	4
Additions	162	32	-	22	2	18	43	279
Additions from internal development	15	-	-	34	-	-	10	59
Disposal	-	-	-	(14)	-	(1)	-	(15)
Other movements	23	1	-	(3)	-	5	(26)	-
Amortisation charge	(158)	(81)	(115)	(5)	(21)	(28)	-	(408)
Impairment charge	-	-	-	-	-	-	(1)	(1)
Effect of movements in exchange rates	5	(1)	(3)	2	1	1	(3)	2
Balance as at 31 December	**569**	**559**	**900**	**323**	**120**	**71**	**51**	**2,593**
Cost	1,258	815	1,329	351	271	106	51	4,181
Accumulated amortisation and impairment losses	(689)	(256)	(429)	(28)	(151)	(35)	-	(1,588)

E.11. Other assets

Other assets comprise the following:

In millions of EUR, as at 31 December

	2020	2019
Prepaid expenses and advances	177	182
Cash collateral for payment cards	57	88
Cost to obtain or fulfil the contract	56	53
Other tax receivable	29	27
Biological assets	4	5
Insurance related other assets	3	4
Receivables from sale of shares in subsidiaries, associates and JVs	5	-
Financial settlements and other similar accounts	79	117
Assets held for sale	23	3
Other	75	80
Subtotal other assets (gross)	**508**	**559**
Individual allowance for impairment	(4)	(7)
Prepaid expenses and advances	-	(2)
Other	(4)	(5)
Total other assets (net)	**504**	**552**

Capitalised incremental costs to obtain contracts, presented in line with IFRS 15, include commissions for external and internal business channels that are directly attributable to obtaining customer contracts and incremental. The amortisation of these costs is recognised in a separate line (amortisation of cost to obtain contracts) in profit or loss; the amortisation period is determined by the expected average duration of contracts separately for business customers and for consumers and separately for certain product types (ranging from 16 to 48 months).

E.12. Financial liabilities at FVTPL

Financial liabilities at FVTPL comprise the following:

In millions of EUR, as at 31 December

	2020	2019
Negative fair values of derivatives	300	252
Interest rate derivatives	187	124
Currency derivatives	113	128
Negative fair values of hedging derivatives	33	9
Liabilities from short sales of securities	356	156
Other	87	113
Total financial liabilities at FVTPL	**776**	**530**

Details of trading derivatives are provided in the following tables:

In millions of EUR, as at 31 December 2020

Interest rate derivatives	Notional amount	Positive fair values*	Negative fair values
OTC products:			
Forward rate agreements	1,133	-	(1)
Interest rate swaps	10,469	182	(185)
Other	40	-	(1)
Exchange-traded products:			
Interest rate futures	15	-	-
Total	**11,657**	**182**	**(187)**
Currency derivatives			
OTC products:			
Forward exchange contracts	2,570	11	(36)
Currency swap contracts	6,526	47	(72)
Foreign exchange options (purchase)	394	5	-
Foreign exchange options (sale)	395	-	(5)
Total	**9,885**	**63**	**(113)**

*refer to E.2.1.

In millions of EUR, as at 31 December 2019

Interest rate derivatives	Notional amount	Positive fair values*	Negative fair values
OTC products:			
Forward rate agreements	1,995	-	-
Interest rate swaps	10,514	119	(124)
Exchange-traded products:			
Interest rate futures	2	-	-
Total	**12,511**	**119**	**(124)**
Currency derivatives			
OTC products:			
Forward exchange contracts	1,029	1	(38)
Currency swap contracts	7,942	44	(90)
Total	**8,971**	**45**	**(128)**

*refer to E.2.1.

The following tables shows details of the hedging derivatives:

In millions of EUR, as at 31 December 2020

	Notional amount	Positive fair values*	Negative fair values
Forward exchange contracts	381	6	(6)
Currency swap contracts	393	5	(2)
Interest rate swap contracts	796	12	(25)
Total	**1,570**	**23**	**(33)**

*refer to E.2.1.

In millions of EUR, as at 31 December 2019

	Notional amount	Positive fair values*	Negative fair values
Forward exchange contracts	222	6	(4)
Currency swap contracts	371	3	(2)
Interest rate swap contracts	343	6	(3)
Total	**936**	**15**	**(9)**

*refer to E.2.1.

E.13. Liabilities due to non-banks

Liabilities due to non-banks comprise the following:

In millions of EUR

	31 December 2020	31 December 2019
Current accounts and demand deposits	7,194	6,794
Term deposits	1,980	3,500
Loans received under repos	1,111	2,474
Loans	19	23
Collateral deposits for derivatives	4	37
Other	1	1
Total liabilities due to non-banks	**10,309**	**12,829**

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

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

Liabilities due to banks and other financial institutions comprise the following:

In millions of EUR

	31 December 2020	31 December 2019
Secured loans (other than repos)	8,380	10,309
Unsecured loans	2,524	5,348
Loans received under repos	63	1,122
Collateral deposits for derivatives	42	31
Repayable on demand	5	7
Other	22	68
Total liabilities due to banks	**11,036**	**16,885**

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

In 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 EUR 2,396 million and CZK 10,172 million (approx. EUR 380 million). During 2019 and 2020, the secured term loan facilities were restructured and partially refinanced by Euro medium term notes issued by PPF Telecom Group B.V. (refer to E.15).

As at 31 December 2020, the outstanding amounts of the secured term loan facilities were EUR 374 million and CZK 4,386 million (approx. EUR 167 million). As at 31 December 2019, the outstanding amounts of the secured term loan facilities were EUR 1,349 million and CZK 6,139 million (approx. EUR 242 million).The actual amount of outstanding secured loan liabilities stated in the above table is lower by unamortised facility and legal fees directly attributable to the origination of the loan facilities. These fees were capitalised and are amortised to finance costs using the effective interest rate method.

The following loans are EUR-denominated:

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

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

The following loans are CZK-denominated:

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

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

Secured loans further include the following significant loan facilities related to the acquisition of CME group:

In October 2019, TV Bidco B.V. entered into a senior facilities agreement with a syndicate of banks and in October 2020 utilised a secured term loan facility amounting to EUR 1,100 million to fund the merger with CME and refinance CME's existing indebtedness (refer to B.2.4). The actual amount of outstanding secured loan liabilities stated in the above table is lower by unamortised facility and legal fees directly attributable to the origination of the loan facilities. These fees were capitalised and are amortised to finance costs using the effective interest rate method.

As at 31 December 2020, the outstanding amount under the senior term loan was EUR 1,100 million.

The following loans are EUR-denominated:

Repayable by	2025
Margin rate over EURIBOR	2.875% - 3.875%
Actual respective margin levels applicable	3.50%

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

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, as at 31 December

	2020	2019
Fixed rate debt securities	**4,606**	**4,162**
Within 1 year	1,703	1,513
1-2 years	241	1,255
2-3 years	309	82
3-4 years	689	191
4-5 years	609	71
More than 5 years	1,055	1,050
Variable rate debt securities	**162**	**175**
Within 1 year	75	28
1-2 years	65	83
2-3 years	22	64
Total debt securities issued	**4,768**	**4,337**

As at 31 December 2020, debt securities issued of EUR 2,786 million (2019: EUR 2,215 million) were secured, of which EUR 82 million (2019: EUR 91 million) by cash loan receivables, EUR 261 million (2019: EUR 774 million) by consumer loan receivables, EUR 168 million (2019: EUR 300 million) by cash and cash equivalents, and EUR 2,275 million (2019: EUR 1,050 million) by shares in subsidiaries, refer to E.40.1.

In March 2019, the Group established a EUR 3,000 million medium term note programme. At the same time, via its subsidiary PPF Telecom Group B.V, the Group obtained corporate credit ratings Ba1 by Moody's, BB+ by Standard & Poor’s and BBB- by Fitch Ratings. During 2019 and 2020, under this programme, the Group issued senior secured eurobonds in the aggregate nominal amount of EUR 2,275 million.

The unused capacity of the programme is currently EUR 725 million as at 31 December 2020. The majority of the bond proceeds were used to repay the Group’s secured loans.

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

E.16. Subordinated liabilities

Subordinated liabilities comprise the following:

In millions of EUR, as at 31 December

	Interest rate	Maturity	2020	2019
Bond issue of CZK 4,000 million	Variable	2027	151	157
Bond issue of EUR 92 million	Fixed	2028	93	92
Bond issue of CZK 253 million	Variable	2029	10	8
Loan USD 7 million	Variable	2023	2	7
Total subordinated liabilities			**256**	**264**

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

The bond issue of EUR 92 million was issued in September 2018. The interest rate 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

	31 December 2020	31 December 2019
Settlements with suppliers	806	979
Wages and salaries	158	160
Social security and health insurance	35	31
Other taxes payable	102	118
Lease liabilities	634	676
Accrued expenses	182	186
Deferred income	44	47
Advance received	31	33
Customer loan overpayments	189	126
Financial settlement and other similar accounts	9	19
Deferred payment for acquisition of Telenor	308	417
Payables arising out of insurance operations	3	-
Programming related liabilities - media	30	-
Other	132	131
Total trade and other payables	**2,663**	**2,923**

E.18. Provisions

Provisions comprise the following:

In millions of EUR, as at 31 December

	2020	2019
Insurance provisions	164	191
Warranty provisions	20	20
Provision for litigation except for tax-related litigation	11	12
Provision for onerous contracts	10	6
Provisions for insurance commissions return	5	10
Provisions for expected credit losses from loan commitments and financial guarantees	4	3
Provisions for asset retirement obligations	62	42
Provision for restructuring	6	1
Other provisions	56	41
Total provisions	**338**	**326**

Movements in non-insurance provisions can be analysed as follows:

In millions of EUR, for the year ended 31 December 2020

	Provision for litigation except for tax issues	Provisions for onerous contracts	Warranty provisions	Provisions for asset retirement obligations	Other provisions	Total
Balance as at 1 January	12	6	20	42	55	135
Additions resulting from business combinations	2	-	-	-	-	2
Provisions created during the year	3	5	11	23	90	132
Provisions used during the year	(3)	(1)	(10)	(1)	(51)	(66)
Provisions released during the year	(2)	-	-	-	(16)	(18)
Effect of movements in exchange rates	(1)	-	(1)	(2)	(7)	(11)
Balance as at 31 December	**11**	**10**	**20**	**62**	**71**	**174**
Non-current (> 1 year)	5	-	-	49	28	82
Current (< 1 year)	6	10	20	13	43	92
Total provisions	**11**	**10**	**20**	**62**	**71**	**174**

In millions of EUR, for the year ended 31 December 2019

	Provision for litigation except for tax issues	Provisions for onerous contracts	Warranty provisions	Provisions for asset retirement obligations	Other provisions	Total
Balance as at 1 January	13	11	24	34	47	129
Additions resulting from business combinations	-	-	-	-	1	1
Provisions created during the year	3	1	15	12	71	102
Provisions used during the year	(2)	(6)	(12)	(2)	(58)	(80)
Provisions released during the year	(2)	-	(7)	(2)	(7)	(18)
Effect of movements in exchange rates	-	-	-	-	1	1
Balance as at 31 December	**12**	**6**	**20**	**42**	**55**	**135**
Non-current (> 1 year)	5	-	-	41	15	61
Current (< 1 year)	7	6	20	1	40	74
Total provisions	**12**	**6**	**20**	**42**	**55**	**135**

The Group recognised a provision for asset retirement obligations of EUR 62 million (2019: EUR 42 million). The amount of the provision is affected by the increased estimate of the present value of the future costs of dismantling, removing of assets and restoring sites in connection with network construction. Scenarios of future costs based on management estimations, market prices, and historical costs were discounted to present value. Discount rates are paired to the expected dates of any future dismantling and removing of assets.

E.18.1. Insurance provisions

Insurance provisions comprise the following:

In millions of EUR, as at 31 December

	2020	2019
Non-life insurance provisions	28	38
Provisions for unearned premiums	27	37
Provisions for outstanding claims	1	1
RBNS provisions	1	1
Life insurance provisions	136	153
Provisions for outstanding claims	3	4
Mathematical provisions	123	139
Provisions for profit participation allocated to policyholders	8	9
Other insurance provisions	2	1
Total insurance provisions	**164**	**191**

Movements in provisions for unearned premiums can be analysed as follows:

In millions of EUR, for the year ended 31 December

Gross amount	2020	2019
Balance as at 1 January	37	31
Premiums written during the year	18	25
Premiums earned during the year	(19)	(23)
Effect of movements in exchange rates	(9)	4
Balance as at 31 December	**27**	**37**

Movements in selected life insurance provisions (gross amount) were as follows:

In millions of EUR, for the year ended 31 December

	2020	2019
Balance as at 1 January	148	115
Mathematical provision for contracts concluded in previous years, and cancelled in the current reporting year	(5)	(6)
Mathematical provision for contracts maturing in the current reporting year	(6)	(7)
Increase in mathematical provision for active contracts concluded in previous years	24	25
Provision for insurance contracts concluded in the current period	4	4
Bonuses (profit) credited to policyholders	1	2
Effect of movements in exchange rates	(35)	15
Balance as at 31 December	**131**	**148**

The estimated timing of the net cash outflows resulting from recognised insurance liabilities is as follows:

In millions of EUR, for the year ended 31 December 2020

	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Between 5 and 15 years	More than 15 years	Total
Non-life insurance provisions	13	11	4	-	-	28
Life insurance provisions	9	15	16	60	36	136

In millions of EUR, for the year ended 31 December 2019

	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Between 5 and 15 years	More than 15 years	Total
Non-life insurance provisions	17	15	6	-	-	38
Life insurance provisions	11	15	19	68	40	153

E.19. Issued capital and share premium

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

The following table provides details of authorised and issued shares:

	2020	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.

In 2020, the share premium representing the excess received by the Parent Company over the par value of its shares amounted to EUR 677 million (2019: EUR 677 million).

E.20. Other reserves

E.20.1. Revaluation reserve

The revaluation reserve represents the changes, net of deferred tax, in the fair value of financial assets at FVOCI. The revaluation reserve is not available for distribution to shareholders.

E.20.2. Legal and statutory reserves

The creation and use of legal and statutory reserves is limited by legislation and the articles of association of each company within the Group. Legal and statutory reserves are not available for distribution to shareholders.

E.20.3. Currency translation reserves

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

E.20.4. Hedging reserve

The hedging reserve represents mainly a cash flow hedge effect related to the forward contracts for CO_2 emission rights recognised in other comprehensive income by the Group's joint venture LEAG. The hedging instruments are commodity derivatives designed to hedge the purchase price for future purchases of emission rights. The significant loss in 2019 was caused by a decrease in emission rights prices, whereas in 2020, the price decrease was less significant. In 2020, the Group recognised its share on the loss in other comprehensive income amounting to EUR 31 million (2019: share on loss of EUR 186 million).

E.20.5. Other reserves

Other reserves comprise primarily a balance of EUR 181 million (2019: EUR 181 million) of an AT1 subordinated bond issued by one of the subsidiaries, not available for distribution to the shareholders.

E.21. Non-controlling interests

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

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

*formerly PPF Beer Topholdco B.V.

The following table summarises the information relating to these subsidiaries:

In millions of EUR

2020	HC	PPFB	O2 CR	TMT	TMT Infra*	VELT	MECH	Other	Total
NCI percentage (ownership)	**8.88%**	**7.04%**	**16.43%**	**25.00%**	**25.00%**	**39.93%**	**12.20%**		
Total assets	18,518	6,474	1,682	791	414	231	975		
Total liabilities	(16,582)	(5,869)	(1,075)	(212)	(132)	(127)	(706)		
Net assets	**1,936**	**605**	**607**	**579**	**282**	**104**	**269**		
Net assets attributable to NCI of the sub-group	(8)	-	-	-	-	-	-		
Net assets attributable to owners of the Parent	**1,928**	**605**	**607**	**579**	**282**	**104**	**269**		
Carrying amount of NCI	155	43	100	145	71	42	33	13	**602**
NCI percentage during the period	**8.88%**	**7.04%**	**16.43%**	**25.00%**	**25.00%**	**39.93%**	**12.20%**		
Revenue	4,642	208	1,503	511	63	28	419		
Profit/(loss)	(552)	37	175	55	25	4	(53)		
Other comprehensive income	(364)	4	10	18	(3)	(12)	(18)		
Total comprehensive income	(916)	41	185	73	22	(8)	(71)		
Profit/(loss) allocated to NCI	(49)	3	28	14	6	2	(6)	(40)	**(42)**
OCI allocated to NCI	(32)	(1)	(3)	(23)	1	(13)	(2)	(7)	**(80)**
Dividends paid to NCI	**-**	**-**	**(31)**	**(2)**	**-**	**-**	**-**	**-**	**(33)**

*TMT Hungary Infra is a newly established holding entity for CETIN Hungary (see Note B.2.5. for business restructuring description). The NCI balance for the split part existing at the date of demerger was reallocated directly from TMT Hungary to TMT Hungary Infra.

2019	HC	PPFB	O2 CR	TMT*	VELT	MECH**	Other	Total
NCI percentage (ownership)	**8.88%**	**7.04%**	**16.43%**	**25.00%**	**39.93%**	**10.00%**		
Total assets	26,590	8,928	1,879	1,202	284	969		
Total liabilities	(23,717)	(8,345)	(1,193)	(234)	(152)	(630)		
Net assets	**2,873**	**583**	**686**	**968**	**132**	**339**		
Net assets attributable to NCI of the sub-group	(29)	-	-	-	-	-		
Net assets attributable to owners of the Parent	**2,844**	**583**	**686**	**968**	**132**	**339**		
Carrying amount of NCI	236	41	113	242	53	34	39	**758**
NCI percentage during the period	**8.88%**	**7.04%**	**16.51%**	**25.00%**	**39.93%**	**10.00%**		
Revenue	6,003	235	1,510	528	33	388		
Profit/(loss)	417	84	165	69	36	(19)		
Other comprehensive income	112	30	(4)	(8)	-	13		
Total comprehensive income	529	114	161	61	36	(6)		
Profit/(loss) allocated to NCI	38	6	27	2	15	(2)	(16)	**70**
OCI allocated to NCI	9	2	(1)	(2)	-	1	5	**14**
Dividends paid to NCI			**(34)**					

*NCI for TMT Hungary results from the sale of a 25% shareholding described in B.2.10.
**NCI for PPF IndustryCo results from the sale of a 10% shareholding described in B.2.2.

E.22. Leases

The Group acts as a lessee under lease contracts for stores, office and technical buildings, telecommunications technology, vehicles, and office equipment.

E.22.1. Right-of-use assets

The following table shows the roll-forward of right-of-use assets:

In millions of EUR

	Land and buildings	Telecom. technology and related equipment	Other tangible assets and equipment	Total
Carrying amount				
Balance as at 1 January 2020	568	75	23	666
Additions resulting from business combinations	9	-	15	24
Additions	82	17	12	111
Disposal	(24)	-	(1)	(25)
Depreciation charge	(119)	(12)	(10)	(141)
Effects of movements in exchange rates	(17)	3	-	(14)
Balance as at 31 December 2020	**499**	**83**	**39**	**621**
Cost	695	104	55	854
Accumulated depreciation and impairment	(196)	(21)	(16)	(233)

In millions of EUR

	Land and buildings	Telecom. technology and related equipment	Other tangible assets and equipment	Total
Carrying amount				
Balance as at 1 January 2019	596	72	48	716
Additions resulting from business combinations	2	-	-	2
Additions	100	16	7	123
Disposal	(12)	-	(28)	(40)
Transfers	-	-	1	1
Depreciation charge	(121)	(10)	(7)	(138)
Effects of movements in exchange rates	3	(3)	2	2
Balance as at 31 December 2019	**568**	**75**	**23**	**666**
Cost	686	85	32	803
Accumulated depreciation and impairment	(118)	(10)	(9)	(137)

For the maturity analysis of lease liabilities, please refer to C.3.

Amounts recognised in profit and loss

In millions of EUR, for the year ended 31 December 2019

Leases under IFRS 16	2020	2019
Interest on lease liabilities	23	25
Expenses relating to short- term leases	7	7
Expenses relating to lease of low-value assets	1	1
Variable lease payments	(1)	(1)

E.22.2. Extension options

Some property leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The held extension options are exercisable only by the Group and not by the lessors. At the lease commencement date the Group assesses whether it is reasonably certain that it will exercise the extension options. The Group reassesses whether it is reasonably certain that it will exercise the options if significant events or changes in circumstances within its control occur.

The Group has estimated that should it exercise the extension option, potential future lease payments would result in an increase of EUR 12 million (2019: EUR 6 million) in lease liability.

Total cash outflow for leases amounted to EUR 152 million for the year ended 31 December 2020 (2019: EUR 153 million).

E.23. Reconciliation of movements of liabilities to cash flows arising from financing activities

Reconciliation of movements of liabilities to cash flows arising from financing activities:

In millions of EUR, for the year ended 31 December 2020

	Debt securities and subordinated liabilities	Liabilities due to banks and other financial institution	Lease liabilities	Total
Balance as at 1 January	**4,601**	**16,854**	**676**	**22,131**
Changes from financing cash flows:				
Proceeds from the issue of debt securities	2,398	-	-	2,398
Proceeds from liabilities due to banks and other financial institutions	-	8,936	-	8,936
Additions due to acquisitions of subsidiaries	-	-	22	22
Repayment of debt securities issued	(1,860)	-	-	(1,860)
Repayment of liabilities due to banks and other financial institutions	-	(14,294)	-	(14,294)
Repayment of principal portion of lease liabilities	-	-	(132)	(132)
Total changes from financing cash flows	**538**	**(5,358)**	**(110)**	**(4,930)**
The effect of changes in foreign exchange rates and transfers	(146)	(401)	(26)	(573)
New leases	-	-	91	91
Interest expense	228	1,067	23	1,318
Interest paid	(197)	(1,126)	(20)	(1,343)
Balance as at 31 December	**5,024**	**11,036**	**634**	**16,694**

In millions of EUR, for the year ended 31 December 2019

	Debt securities and subordinated liabilities	Liabilities due to banks and other financial institution	Lease liabilities	Total
Balance as at 1 January	**2,989**	**18,496**	**716**	**22,201**
Changes from financing cash flows:				
Proceeds from the issue of debt securities	3,082	-	-	3,082
Proceeds from liabilities due to banks and other financial institutions	-	17,595	-	17,595
Additions due to acquisitions of subsidiaries	-	3	-	3
Decrease due to disposals of subsidiaries	-	(45)	-	(45)
Repayment of debt securities issued	(1,514)	-	-	(1,514)
Repayment of liabilities due to banks and other financial institutions	-	(19,361)	-	(19,361)
Repayment of principal portion of lease liabilities	-	-	(136)	(136)
Total changes from financing cash flows	**1,568**	**(1,808)**	**(136)**	**(376)**
The effect of changes in foreign exchange rates and transfers	19	146	12	177
New leases	-	-	76	76
Interest expense	186	1,355	25	1,566
Interest paid	(161)	(1,335)	(17)	(1,513)
Balance as at 31 December	**4,601**	**16,854**	**676**	**22,131**

E.24. Net interest income

Interest income comprises the following:

In millions of EUR, for the year ended 31 December

	2020	2019
Financial assets at FVTPL (E.2.1)	15	17
Financial assets at FVOCI (E.2.3)	48	55
Financial assets at AC (E.2.2)	11	14
Due from banks and other financial institutions	101	181
Cash loan receivables	3,159	4,032
Consumer loan receivables	767	1,004
Revolving loan receivables	179	142
Car loan receivables	24	22
Mortgage loan receivables	6	6
Loans to corporations	74	80
Net investments in finance lease	-	1
Other	4	15
Total interest income	**4,388**	**5,569**

Interest expense comprises the following:

In millions of EUR, for the year ended 31 December

	2020	2019
Due to customers	191	283
Due to banks and other financial institutions	1,067	1,355
Debt securities issued	218	171
Lease liabilities	23	25
Subordinated liabilities	10	15
Other	38	44
Total interest expenses	**1,547**	**1,893**

Total net interest income	**2,841**	**3,676**

E.25. Net fee and commission income

Fee and commission income comprises the following:

In millions of EUR, for the year ended 31 December

	2020	2019
Insurance commissions	205	357
Penalty fees	65	129
Cash transactions	33	38
Customer payment processing and account maintenance	53	57
Commission income from partners	55	57
Retailers’ commissions	4	16
Other	20	18
Total fee and commission income	**435**	**672**

Fee and commission expense comprises the following:

In millions of EUR, for the year ended 31 December

	2020	2019
Commissions to retailers	24	21
Cash transactions	37	33
Payment processing and account maintenance	53	64
Payments to deposit insurance agencies	23	30
Credit and other register expense	29	39
Other	27	14
Total fee and commission expense	**193**	**201**

Total net fee and commission income	**242**	**471**

E.26. Net gain/loss on financial assets

In millions of EUR, for the year ended 31 December

	2020	2019
Net trading income/(expense)	(79)	(68)
Debt securities trading	17	20
FX trading	(58)	14
Derivatives	(15)	(102)
Other	(23)	-
Net gains/(losses) on financial assets/liabilities at FVTPL not held for trading	(33)	(65)
Net realised gains/(losses) on financial assets at AC	(1)	2
Net realised gains/(losses) financial assets at FVOCI	11	1
Net realised gains/(losses) at loans and receivables	11	3
Dividends	26	24
Other expense from financial assets	(7)	(30)
Total net gain/(loss) on financial assets	**(72)**	**(133)**

E.27. Net impairment losses on financial assets

In millions of EUR, for the year ended 31 December

	2020	2019
Cash loan receivables	1,988	1,546
Consumer loan receivables	305	237
Revolving loan receivables	48	25
Car loan receivables	3	2
Mortgage loan receivables	-	(2)
Loans to corporations	67	8
Trade and other receivables	33	21
Financial assets at FVOCI	4	-
Other financial assets*	1	2
Total net impairment losses on financial assets	**2,449**	**1,839**

*incl. impairment losses on undrawn credit limit

E.28. Net insurance income

In millions of EUR, for the year ended 31 December 2020

	Non-life	Life	Total
Gross earned premiums	19	52	71
Earned premiums ceded	-	(1)	(1)
Net insurance benefits and claims	(1)	(33)	(34)
Acquisition cost	(3)	(12)	(15)
Total net insurance income	**15**	**6**	**21**

In millions of EUR, for the year ended 31 December 2019

	Non-life	Life	Total
Gross earned premiums	22	54	76
Earned premiums ceded	-	(1)	(1)
Net insurance benefits and claims	(1)	(34)	(35)
Acquisition cost	(3)	(14)	(17)
Total net insurance income	**18**	**5**	**23**

E.29. Net rental and related income

In millions of EUR, for the year ended 31 December

	2020	2019
Gross rental income	127	160
Service income	14	16
Service charge income	29	35
Service charge expense	(14)	(20)
Total net rental and related income	**156**	**191**

E.30. Net telecommunications income

E.30.1. Revenues from telecommunications business – major lines of business

Telecommunications income comprises the following:

In millions of EUR, for the year ended 31 December

	2020	2019
Mobile originated revenues	2,313	2,348
Fixed originated revenues	474	422
International transit revenues	233	256
Other wholesale revenues	122	119
Other sales	14	14
Revenues from telecommunications business	**3,156**	**3,159**
out of which:		
Services/products transferred over time	2,757	2,757
Services/products transferred at a point in time	399	402
Supplies	632	642
Cost of goods sold	406	398
Commissions	38	37
Costs related to telecommunications business	**1,076**	**1,077**
Net telecommunications income	**2,080**	**2,082**

E.30.2. Revenues from telecommunications business – geographical markets

The revenues from the telecommunications business are geographically disaggregated per the customers' sites, as follows:

In millions of EUR, for the year ended 31 December

	2020	2019
Services/products transferred over time	2,757	2,757
Czech Republic	1,211	1,182
Hungary	425	434
Serbia and Montenegro	321	303
Bulgaria	303	291
Slovakia	258	259
Germany	30	38
Switzerland	5	8
Other	204	242
Services/products transferred at a point in time	399	402
Czech Republic	99	94
Hungary	78	84
Serbia and Montenegro	91	89
Bulgaria	85	80
Slovakia	46	55

For relevant information on contract assets and contract liabilities, refer to E.5.

E.31. Net media income

E.31.1. Revenues from media business – major lines of business

Net media income comprises the following:

In millions of EUR, since the acquisition in October 2020 (refer to B.2.4.)

	2020
TV advertising revenues	148
Carriage fees	23
Subscription fees	1
Other revenue	7
Revenues from media business	**179**
out of which:	
Services/products transferred over time	179
Services/products transferred at a point in time	-
Programming assets amortisation	58
Salaries and staff related expenses	4
Royalties	4
External services and other operating costs	4
Costs related to media business	**70**
Net media income	**109**

E.31.2. Revenues from media business – geographical markets

The revenues from the media business are geographically disaggregated per the customers' sites, as follows:

In millions of EUR, since the acquisition in October 2020 (refer to B.2.4.)

	2020
Services/products transferred over time	179
Czech Republic	57
Romania	51
Slovakia Republic	32
Bulgaria	20
Slovenia	19

In 2020, the Group did not realise any revenues from the media business from services or products transferred at a point in times. In 2019, the Group did not realise any revenues from the media business.

E.32. Net mechanical engineering income

E.32.1. Revenues from mechanical engineering business – major lines of business

Mechanical engineering income comprises the following:

In millions of EUR, for the year ended 31 December

	2020	2019
Sales of finished goods, services and goods for resale	419	388
Tramcars	59	77
Electric locomotives and suburb units	158	74
Trolleybuses	39	41
Metro	5	31
Electric equipment	9	7
Full service and repairs	94	94
Spare parts	31	25
Modernisation of rail vehicles	6	4
Other products and services	18	35
Revenues from mechanical engineering business	**419**	**388**
out of which:		
Services/products transferred over time	348	320
Services/products transferred at a point in time	71	68
Raw material	192	176
Purchased services related to projects	26	25
External workforce	12	13
Other	23	18
Costs related to mechanical engineering business	**253**	**232**
Net mechanical engineering income	**166**	**156**

E.32.2. Revenues from mechanical engineering business – geographical markets

The revenues from the mechanical engineering business are geographically disaggregated per the customers' sites, as follows:

In millions of EUR, for the year ended 31 December

	2020	2019
Services/products transferred over time	348	320
Czech Republic	130	81
Finland	71	95
Slovakia	94	30
Latvia	5	11
Germany	11	41
Russian Federation	2	35
Other	35	27
Services/products transferred at a point in time	71	68
Czech Republic	60	54
Germany	2	2
Finland	3	2
Slovakia	2	3
Lithuania	1	-
Russian Federation	-	3
Other	3	4

The amount of revenue recognised in 2020 from performance obligations satisfied (or partially satisfied) in previous periods, mainly due to the changes in the estimate of the stage of completion of mechanical engineering business construction contracts was nil (2019: nil).

For relevant information on contract assets and contract liabilities, refer to E.5.

E.33. Net toll operations income

In millions of EUR, for the year ended 31 December

	2020	2019
Sales of goods	-	88
Sales of services	32	3
Cost of sales	(13)	(87)
Total net toll operations income	**19**	**4**

The Group's toll operating and collection business started its operations at the end of 2019 (refer to B.3.2).

E.34. Net agriculture income

In millions of EUR, for the year ended 31 December

	2020	2019
Sales of goods	25	16
Cost of sales	(14)	(13)
Other revenue	1	1
Total net agriculture income	**12**	**4**

E.35. Other income

In millions of EUR, for the year ended 31 December

	2020	2019
Rental income	7	13
Foreign currency gains	-	17
Gain on a bargain purchase*	-	38
Provision of service to minority partner	21	13
Other	65	143
Total other income	**93**	**224**

*acquisition of Mobi Banka in 2019, refer to B.2.7.

E.36. Personnel expenses and other operating expenses

In millions of EUR, for the year ended 31 December

	2020	2019
Employee compensation	1,256	1,335
Payroll related taxes (including pension contribution)	202	292
Total personnel expenses	**1,458**	**1,627**
Rental, maintenance and repair expense	107	118
Information technologies	139	130
Professional services	146	154
Advertising and marketing	95	118
Telecommunications and postage	83	101
Taxes other than income tax	67	78
Collection agency fee	67	69
Travel expenses	13	32
Net impairment losses on other intangible assets	124	1
Net impairment losses on goodwill recognised	14	-
Net impairment losses on property, plant and equipment	12	2
Net impairment losses on other assets (including contract assets)	13	5
Amortisation of cost to obtain or fulfil a contract	49	46
Net foreign currency losses	121	-
Other	213	192
Total other operating expenses	**1,263**	**1,046**

The average rounded number of employees during 2020 was 111,000 (2019: 142,000); 20 employees were employed in the Netherlands (2019: 14 employees).

E.37. Depreciation and amortisation

In millions of EUR, for the year ended 31 December

	2020	2019
Depreciation of property, plant and equipment	355	363
Depreciation of property, plant and equipment – ROU (IFRS 16)	141	138
Amortisation of intangible assets	427	408
Total depreciation and amortisation	**923**	**909**

E.38. Repurchase agreements and reverse repurchase agreements

The Group raises funds by selling financial instruments under agreements to repurchase them at future dates at the same price plus interest at a predetermined rate (repos). As at 31 December, assets sold under repos were as follows:

In millions of EUR, as at 31 December

	2020 Fair value of underlying assets	2020 Carrying amount of corresponding liabilities	2019 Fair value of underlying assets	2019 Carrying amount of corresponding liabilities
Financial assets at FVOCI	99	63	288	180
Financial assets received in reverse repos	1,090	1,111	3,475	3,415
Total assets	**1,189**	**1,174**	**3,763**	**3,595**

The Group also purchases financial instruments under agreements to resell them at future dates (reverse repos). The seller commits to repurchase the same or similar instruments at an agreed future date. Reverse repos are entered into as a facility to provide funds to customers. As at 31 December, assets purchased subject to agreements to resell them were as follows:

In millions of EUR, as at 31 December

	2020 Fair value of assets received as collateral (total)	2020 of which: Fair value of assets repledged or sold	2020 Carrying amount of receivables	2019 Fair value of assets received as collateral (total)	2019 of which: Fair value of assets repledged or sold	2019 Carrying amount of receivable s
Loans and advances to central banks	4,734	1,090	4,818	7,217	3,475	7,287
Loans and advances to banks	109	-	104	209	-	198
Loans and advances to non-banks	-	-	-	19	-	10
Total loans and advances	**4,843**	**1,090**	**4,922**	**7,445**	**3,475**	**7,495**

E.39. Income taxes

E.39.1. Income tax expense

Income tax expense comprises the following:

In millions of EUR, for the year ended 31 December

	2020	2019
Current tax expense	(303)	(385)
Deferred tax (expense)/benefit	302	(13)
Total income tax expense (net)	**(1)**	**(398)**

The following table reconciles the tax expense:

In millions of EUR, for the year ended 31 December

	2020	2019
Tax rate	25.0%	25.0%
Profit/(loss) from continuing operations (before taxation)	(290)	1,403
Computed taxation using applicable tax rate	72	(351)
Tax non-deductible expenses	(115)	(159)
Non-taxable income	29	76
Non-taxable share of earnings of equity-accounted investees	16	7
Tax rate differences on foreign results	48	96
Utilised tax loss not previously recognised	5	12
Tax loss carry forward not recognised	(32)	(30)
Withholding tax on intra-group dividends	(17)	(35)
Other	(7)	(14)
Total income tax expense	**(1)**	**(398)**

The Company is subject to corporate income tax in the Netherlands at an income tax rate of 25%. The Company's subsidiaries as well as associates are also subject to corporate income tax laws in the respective jurisdictions where the Group operates, with corporate income tax rates ranging from 9% in Hungary to approx. 33% in Germany.

Pursuant to local tax legislation and relevant double tax treaties, a withholding tax in the range of 0% to 35% is levied on the dividends, interest, royalties and other relevant payments to foreign recipients.

The principle the Group follows in the recognition of deferred tax assets prescribes that if it is not considered likely that taxable profits will be available against which unused tax losses can be utilised, the deferred tax assets are not recognised.

E.39.2. Deferred tax

Deferred tax assets and liabilities comprise the following:

In millions of EUR, as at 31 December

	2020 Deferred tax liabilities	2020 Deferred tax assets	2019 Deferred tax liabilities	2019 Deferred tax assets
Investment securities	(6)	1	(9)	-
Loans	-	488	(2)	345
Trade and other receivables, contract assets	(84)	20	(68)	17
Inventories	-	86	(1)	65
Investment property	(186)	2	(191)	3
Property, plant and equipment	(324)	7	(342)	5
Programming assets	(1)	14	-	-
Intangible assets	(173)	46	(170)	46
Other assets	(17)	9	(11)	8
Debt securities issued	-	21	-	12
Financial liabilities at FVTPL	(2)	4	(1)	3
Lease liabilities	(2)	16	(1)	9
Trade and other payables	(5)	27	(3)	25
Provisions	-	23	(1)	21
Other temporary differences	(9)	33	(8)	30
Value of loss carry-forwards recognised	-	131	-	59
Deferred tax assets/(liabilities)	**(809)**	**928**	**(808)**	**648**
Net deferred tax assets/(liabilities)	**(583)**	**702**	**(639)**	**479**

The table below shows the roll-forward of net deferred taxes:

In millions of EUR, for the year ended 31 December

	2020	2019
Net deferred tax assets/(liabilities) as at 1 January	(160)	(123)
Deferred tax (expense)/income for the period	302	(13)
Deferred tax recognised directly in equity	1	(8)
Additions from business combinations	(21)	(32)
Disposals resulting from business combinations	(3)	21
Effect of movements in exchange rates	-	(5)
Net deferred tax assets/(liabilities) as at 31 December	**119**	**(160)**

Deferred tax assets arising from intangible assets and other temporary differences consist mainly of uneven balance sheet eliminations from intra-group transactions.

E.39.3. Tax losses

As at 31 December 2020, the Group incurred tax losses from recent years of EUR 2,322 million (2019: EUR 2,114 million) available to be carried forward and off-set against future taxable income. As a rule, if it is not considered likely that taxable profits will be available against which the unused tax losses can be utilised, deferred tax assets are not recognised. The unrecognised deferred tax assets amount to EUR 406 million (2019: EUR 423 million). The unutilised tax losses can be claimed for an indefinite time in the Netherlands, in Hong Kong and the Russian Federation (2021 to 2025 in the Czech Republic and Cyprus, and for an indefinite time) and expire as follows:

In millions of EUR, as at 31 December

	2020	2019
2020	-	292
2021	247	258
2022	418	422
2023	90	88
2024	116	126
2025	200	149
2026	147	118
2027	72	73
2028	6	61
2029	4	2
2030	3	-
Tax losses that can be carried forward indefinitely	1,019	525
Total	**2,322**	**2,114**

E.40. Off-balance sheet items

E.40.1. 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 as at the reporting date if the counterparties were to completely fail to meet their contractual obligations.

The Group companies included in the banking segment engage in the provision of open credit facilities to allow customers quick access to funds 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 later reimbursable to a Group company, 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 the guarantees provided 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, as at 31 December

	2020	2019
Loan commitments	1,496	1,640
Revolving loan commitments	1,254	1,390
Consumer loan commitments	30	48
Cash loan commitments	30	29
Undrawn overdraft facilities	123	101
Term loan facilities	59	72
Capital expenditure commitments	117	107
Guarantees provided	178	173
Non-payment guarantees	20	17
Payment guarantees	158	156
Digital transmission obligations	17	-
Programming liabilities	40	-
Other	356	282
Total commitments and contingent liabilities	**2,204**	**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 expected future cash flows.

In 2020 and 2019, the other category represents mostly current bank guarantees issued by local banks in Hungary for Telenor Hungary, requested by the local telecommunication regulator from participants in the spectrum auction. The Group was given a guarantee of EUR 264 million (2019: EUR 264 million) fully covering the spectrum auction entry requirement.

The following table shows secured liabilities:

In millions of EUR, as at 31 December

	2020	2019
Secured bank loans	8,380	10,310
Loans received under repos	1,174	3,595
Debt securities issued	2,786	2,215
Total secured liabilities	**12,340**	**16,120**

The assets pledged as security were as follows:

In millions of EUR, as at 31 December

	2020	2019
Cash and cash equivalents	694	1,250
Financial assets at FVOCI (repos)	99	288
Loans and receivables due from customers	5,865	13,614
Trade and other receivables/other assets	3	19
Investment property (incl. assets held for sale)	1,655	1,817
Property, plant and equipment	234	218
Financial assets in off-balance sheet (repo operations)	1,090	3,475
Other assets	105	33
Total assets pledged as security	**9,745**	**20,714**

As at 31 December 2020, cash and cash equivalents of EUR 265 million (2019: EUR 809 million) were restricted by borrowing agreements with the creditors in Chinese Home Credit either to the disbursement of loans to retail clients or to the repayment of loans received from creditors. If the cash was used to provide loans to retail clients, the loans were pledged as collateral. Thus, the restriction on the cash effectively increases the creditors' security.

In addition, the Group has pledged certain assets as collateral for its funding liabilities related to the acquisition of Telenor assets. As at 31 December 2020 and 2019, the pledged assets in particular include receivables from bank accounts, hedging agreements and all shares of PPF Telecom Group B.V., PPF TMT Bidco 1 B.V., PPF Telco B.V., CETIN Group B.V., the Telenor operating entities in Bulgaria, Serbia and Montenegro, and TMT Hungary B.V. with TMT Hungary Infra B.V. (the Group's effective share).

The Group also pledges certain shares in O2 CR and CETIN. As at 31 December 2020, a 10.59% share in O2 CR (2019: 10.27%) and a 10.27% share in CETIN (2019: 10.27%) were used as collateral for several funding facilities. The disclosed percentage of O2 CR shares under pledge does not take into account any treasury shares held by O2 CR in 2019.

As at 31 December 2020, the Group has pledged certain assets as collateral for funding facilities related to CME acquisition. The pledged assets include, in particular, receivables from bank accounts, intercompany loans and all shares of TV Bidco B.V., Central European Media Enterprises Ltd. and CME Media Enterprises B.V.

As at 31 December 2020, shares of PPF TMT Holdco 1 B.V. and PPF Finco B.V and some of their receivables were pledged as security for their financial indebtedness.

E.40.2. Other contingencies

E.40.2.1. 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 have 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 CETIN a.s., 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. On 19 April 2021 the court decided to appoint another expert to review and revise previous expert reports.

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:

On 28 March 2011, VOLNÝ, a.s. ("VOLNÝ") filed a legal action with the Municipal Court in Prague against O2 CR for an amount exceeding EUR 154 million for an alleged abuse of a dominant position on the market of Internet broadband connection provided to households via ADSL. VOLNÝ filed the legal action to coincide directly with the opening of ÚOHS proceedings, which were closed by a decision in favour of O2 on 23 January 2019. The amount is meant to represent the lost profit for the years 2004 to 2010. VOLNÝ claims to have had 30% share on the dial-up Internet market in 2003 and, in its legal action, it implies that it should have automatically had the same result on the broadband market, which it did not. Allegedly, it was due to the margin squeeze applied by O2 CR on the fix broadband market. O2 CR replied to the petition in July 2011, noting that both the claim and the calculations submitted by the plaintiff were unsubstantiated and pointing out discrepancies in the petition claims. The court started the proceedings in the matter and hearings took place during the year 2013, including the hearings of witnesses and experts.

At the hearing held on 30 March 2016, the court considered the possibility of a revision expert opinion that would review the opinions filed by VOLNÝ and O2 CR. VOLNÝ proposed an expert who turned out to be biased, and thus O2 CR filed a protest. Subsequently, the court appointed another expert and defined a set of questions. The revision expert opinion confirmed O2 CR's statement. The expert opinion stated that no anti-competition practice had been proved against O2 CR. It also pointed out that O2 CR was not in a dominant position on the market of internet broadband connections. After hearing the appointed independent expert, the Municipal Court in Prague dismissed the legal action by VOLNÝ in full. The court concluded that O2 CR had not breached any competition rules and thus could not have caused any damage to VOLNÝ. The decision was delivered in June 2018. The plaintiff filed an appeal and applied for court fee relief. The Municipal Court in Prague and the High Court in Prague granted the plaintiff a 50% court fee relief. The ÚOHS's decision of 23 January 2019 was submitted to the court and confirmed O2 CR's consistent position in the civil dispute and the correctness of the first instance dismissal of the legal action.

In September 2020, the High Court in Prague delivered a confirmatory judgment, which came into legal force on 26 November 2020. The High Court awarded O2 CR the full reimbursement of the costs of the proceedings. Hence, the dispute was successfully closed. Given that VOLNÝ has filed an extraordinary appeal to the Supreme Court, the dispute will continue to be reported on.

The legal action brought by Vodafone Czech Republic a.s. ("Vodafone") claiming EUR 15 million 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 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 was confirmed also by the decision of ÚOHS dated 23 January 2019 in a separate administrative proceeding. The High Court in Prague confirmed this decision. Vodafone filed an extraordinary appeal to the Supreme Court, which was ultimately rejected.

In November 2020, the proceedings were terminated based on the withdrawal of the legal action by Vodafone and O2 CR received full reimbursement of the costs of the proceedings. The dispute is successfully closed and will not be further reported.

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 the CME group are significant from the Group's perspective:

In the fourth quarter of 2016, our Slovak subsidiary MARKIZA-SLOVAKIA, spol. s.r.o. ("Markiza") was notified of claims that were filed in June 2016 in a court of first instance in Bratislava, the Slovak Republic to collect amounts allegedly owing under four promissory notes that have a collective face value of approximately EUR 69.0 million. These four promissory notes were purportedly issued in June 2000 by Pavol Rusko in his personal capacity and were purportedly guaranteed by Markiza under the signature of Mr. Rusko, who was an executive director of Markiza at that time as well as one of its shareholders. Two of the notes purport to be issued in favor of Marian Kocner, a controversial Slovak businessman, and the other two to a long-time associate of Mr. Kocner. All four notes were supposedly assigned several times, for no apparent consideration, to companies owned by or associated with Mr. Kocner and ultimately to Sprava a inkaso zmeniek, s.r.o., a company owned by Mr. Kocner that initiated the claims for payment in these proceedings.

Two of the notes, each of which purportedly has a face value of approximately EUR 8.3 million, allegedly matured in 2015. The other two notes, which were purportedly issued in blank, had the amount of approximately EUR 26.2 million inserted on each of them by Mr. Kocner or someone associated with him in mid-2016, shortly before their alleged maturity. The four notes accrue interest from their purported maturity dates. We do not believe that the notes were signed in June 2000 or that any of the notes are authentic.

During the first quarter of 2018, the court of first instance began to schedule hearings in respect of the first promissory note having a face value of approximately EUR 8.3 million (the "First PN Case"), the second promissory note having a face value of approximately EUR 8.3 million (the "Second PN Case") and one of the promissory notes having a face value of approximately EUR 26.2 million (the "Third PN Case"). Proceedings on the claim in respect of the other promissory note having a face value of approximately EUR 26.2 million (the "Fourth PN Case") were terminated on two separate occasions in 2017 because the plaintiff failed to pay the required court fees.

On April 26, 2018, the judge in the First PN Case ruled in favour of the plaintiff. Markiza appealed that decision.

On May 14, 2018, Markiza filed a criminal complaint with the Special Prosecutor's Office of the Slovak Republic (the "Special Prosecutor’s Office") alleging that Mr. Kocner and Mr. Rusko committed the offenses of (1) counterfeiting, falsification, and illegal production of money and securities and (2) obstruction or perversion of justice. Following the opening of criminal proceedings in the matter, the Special Prosecutor’s Office issued a decision on June 20, 2018 to formally charge Mr. Kocner and Mr. Rusko with counterfeiting, falsification and illegal production of securities and obstruction of justice and Mr. Kocner was taken into pre-trial custody by the Slovak authorities. Subsequently, the Special Prosecutor’s Office charged Mr. Kocner’s long-time associate, who received two of the alleged promissory notes as the original beneficial owner and purported to endorse those notes to a company controlled by Mr. Kocner, with counterfeiting, falsification, and illegal production of money and securities.

Proceedings were subsequently suspended in respect of the First PN Case by the appellate court and by the court of first instance in the remaining cases (including the Fourth PN Case which the plaintiff refiled in May 2019 and paid the required court fees) until a final and enforceable decision has been rendered in the criminal proceedings.

Following the conclusion of the pre-trial investigation, the Special Prosecutor’s Office formally indicted Mr. Kocner and Mr. Rusko on March 19, 2019 with counterfeiting, falsification, and illegal production of securities and obstruction of justice and filed the indictment with the Special Criminal Court of the Slovak Republic.

On 27 February 2020, following the conclusion of criminal proceedings, the Special Criminal Court found Mr. Kocner and Mr. Rusko guilty of the crimes charged and sentenced each of them to 19 years in prison. Both Mr. Kocner and Mr. Rusko appealed the sentence to the Supreme Court of the Slovak Republic and the Special Prosecutor’s Office also filed an appeal in respect of the length of the sentence as well as the ruling on the forfeiture of property by Mr. Kocner.

On 12 January 2021, the Supreme Court of the Slovak Republic upheld the convictions of Mr. Kocner and Mr. Rusko for counterfeiting, falsification, and illegal production of securities and obstruction of justice, and confirmed the 19-year sentences for Mr. Kocner and Mr. Rusko passed down by the Special Criminal Court.

Following the successful conclusion of the criminal proceedings, Markiza intends to seek dismissal of the various civil proceedings relating to the promissory notes. Markiza will continue to vigorously defend the claims in the event any of the civil proceedings are not dismissed as a result of the decision in the criminal proceedings.

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

E.40.2.2. Regulatory investigation

In 2016, the European Commission initiated on its own-initiative proceedings concerning the 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 was 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 a fine pursuant to Article 23 of Regulation (EC) No. 1/2003 and possibly of further measures to put an end to the alleged infringement. However, the Commission in no way indicated the amount of the potential fine, not even approximately. On 8 August 2019, the European Commission informed PPF Group N.V. that it intends to extend the above described investigation also to PPF Group N.V. On 14 February 2020 the Commission delivered to PPF Group N.V. (the Group's ultimate shareholder) a statement of objection. PPF Group N.V. replied to it on 20 April 2020. A formal oral hearing took place in this case from 15 to 17 September 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. Follow-up communication is ongoing and the Commission may now (i) amend its comments (in the form of an additional statement of objection or in another similar way), (ii) issue a decision on the breach of competition law, (iii) enter into negotiations on commitments with the Group entities and the other participants and, if agreement can be reached, issue a decision terminating the proceedings without the breach of competition law being confirmed, or (iv) stop the proceedings without a decision.

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 to consumers has occurred. After the oral hearing, the Group will therefore further continue to communicate with the Commission to convince it the cooperation between the sharing partners is in compliance with the relevant laws, thereby benefiting 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.40.2.3. Taxation

The taxation systems in the Russian Federation, India, Kazakhstan, Philippines, Vietnam and China and some other countries of operations are characterised by frequent changes in legislation which is subject to varying interpretations 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 the Russian Federation, India, Kazakhstan, Philippines, 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.

In the respective countries, the facts mentioned above may create tax risks 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, Philippine, Vietnamese, Chinese and other countries' tax legislation, official pronouncements, and court decisions.

Home Credit Consumer Finance Co. Ltd., Home Credit India Finance Private Ltd, HC Consumer Finance Philippines, Inc. and Home Credit International a.s. are currently undergoing a tax inspection. The final results are not yet known.

E.40.3. Guarantee received and off-balance sheet assets

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

In millions of EUR, as at 31 December

	2020	2019
Guarantees received	147	82
Loan commitments received	237	218
Value of assets received as collateral (including repos)	6,416	8,911
Programming assets	54	-
Total contingent assets	**6,854**	**9,211**

E.41. Related parties

E.41.1. Identity of related parties

The Group has a related party relationship with its associates, joint ventures (together as "equity-accounted investees") and non-consolidated subsidiaries.

Furthermore, the key management personnel of the Group and their close family members; other parties which are controlled, jointly-controlled or significantly influenced by such individuals, and the entities in which such individuals hold significant voting power are also considered related parties.

The key management personnel of the Group include members of the board of directors and the key management personnel of the Parent and its significant subsidiaries.

E.41.2. Transactions with governing bodies and executive officers

For the year ended 31 December 2020 and 2019, key management personnel was provided with benefits as follows:

In millions of EUR, for the year ended 31 December

	2020	2019
Board of directors of the Parent Company	0.5	0.5
Key executive officers	61	52

These benefits consist of fixed and variable salaries, incentive bonuses, contributions to pension and insurance plans, and cash-settled share-based payment awards granted by PPF Group.

E.41.3. Transactions with equity-accounted investees

During the year, the Group had the following significant arm's length transactions with the equity-accounted investees:

In millions of EUR, for the year ended 31 December

	2020	2019
Interest income	7	8
Telecommunications income	6	10
Mechanical engineering income	3	2
Net gain/(loss) on financial assets	3	4
Fee and commission income	1	-
Other income	1	-
Total revenue	**21**	**24**
Telecommunication expenses	(7)	-
Total expenses	**(7)**	**-**

At the reporting date, the Group had the following balances with equity-accounted investees:

In millions of EUR, as at 31 December

	2020	2019
Investment securities	11	-
Loans due from customers	95	120
Trade and other receivables	2	3
Total assets	**108**	**123**
Due to non-banks	(4)	(34)
Total liabilities	**(4)**	**(34)**

E.41.4. Other related parties including key management personnel

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

In millions of EUR, for the year ended 31 December

	2020	2019
Interest income	12	12
Net gain/(loss) on financial assets	6	3
Fee and commission income	-	5
Other income	2	3
Total revenue	**20**	**23**
Mechanical engineering expenses	(2)	(2)
Interest expense	(1)	(1)
Other operating expenses	(12)	(18)
Total expenses	**(15)**	**(21)**

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

In millions of EUR, as at 31 December

	2020	2019
Loans due from customers*	218	214
Trade and other receivables	2	5
Intangible assets	1	5
Total assets	**221**	**224**
Due to non-banks	(60)	(37)
Total liabilities	**(60)**	**(37)**

*presented in their gross amounts (while ECL allowance totals EUR 7 million and nil in 2020 and 2019, respectively).

F. Significant accounting policies

F.1 Significant accounting policies

The accounting policies set out below have been applied consistently by all Group entities to all periods presented in these consolidated financial statements.

F.1.1. Foreign currency

F.1.1.1. Foreign currency transactions

A foreign currency transaction is a transaction that is denominated in or requires settlement in a currency other than the functional currency. The functional currency is the currency of the primary economic environment in which an entity operates. For initial recognition purposes, a foreign currency transaction is translated into the functional currency using the exchange rate effective at the date of the transaction and announced by the bank authority (the "BA") for the respective country in which the entity operates. At the reporting date:

- monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency using the exchange rate at that date (announced by the BA);
- non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated using the exchange rates (announced by the BA) prevailing at the date that the fair value was determined;
- non-monetary items denominated in foreign currencies that are measured in terms of historical cost are translated using the exchange rate (announced by the BA) at the date of the original transaction.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for the differences arising on the retranslation of equity investments which are recognised in other comprehensive income.

F.1.1.2. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to euro at the exchange rates prevailing at the reporting date and announced by European Central Bank.

The income and expenses of foreign operations are translated to euro at exchange rates approximating the foreign exchange rates prevailing at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the foreign operation is a non-wholly owned subsidiary, the relevant proportion of the translation difference is allocated to the non-controlling interests.

When a foreign operation is disposed of with loss of control, significant influence or joint control, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to the non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

F.1.2. Financial assets and liabilities

Financial assets include financial assets at FVTPL, financial assets at FVOCI and financial assets at AC.

Financial assets are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument. For regular purchases and sales of financial assets, the Group's policy is to recognise them using settlement date accounting. Any change in the fair value of an asset to be received during the period between the trade date and the settlement date is accounted for in the same way as if the Group used the settlement date accounting. Financial instruments, with the exception of financial instruments at FVTPL, are measured initially at fair value plus transaction costs directly attributable to the acquisition or issue of the financial instrument.

A financial asset is derecognised when the Group loses control over the contractual rights that comprise that asset. This occurs when the rights are exercised, or when the rights expire or are surrendered.

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

F.1.2.1. Business model assessment

The Group assesses the objective of the business model in which a financial asset is held either at the portfolio level, as this best reflects the way the business is managed and information is provided to management, or individually in specific cases. Apart from the portfolio's cash-flow characteristics, the information that is considered for portfolio assets includes the portfolio objectives, management strategies and operations, compensation of the managers, risks affecting the business model and evaluation of the portfolio performance. The same information is considered in the specific individual cases.

The Group differentiates between the following basic business models:

- held-to-collect business model;
- both held-to-collect and for-sale business model;
- other business models (incl. trading, managing assets on a fair value basis, maximising cash-flows through sale and other models).

F.1.2.2. Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, principal is defined as the fair value of the financial asset on initial recognition. Interest is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows in a way that it would not meet this condition. In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets – e.g. non-recourse asset arrangements; and
- features that modify consideration for the time value of money – e.g. periodic reset of interest rates.

All of the Group's retail loans and certain fixed-rate corporate loans contain prepayment features. A prepayment feature is consistent with the SPPI criterion if the prepayment amount substantially represents any unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract. In addition, a prepayment feature is treated as consistent with this criterion if a financial asset is acquired or originated at a premium or discount to its contractual par amount, the prepayment amount substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination), and the fair value of the prepayment feature is insignificant on initial recognition.

F.1.2.3. Financial assets at FVTPL

Financial assets that are at initial recognition mandatorily at FVTPL are financial assets held for trading, those that are managed and whose performance is evaluated on a fair value basis, equity securities for which the irrevocable option to measure them at FVOCI was not applied, and debt securities that did not meet the SPPI criterion. Non-trading financial assets are financial assets at initial recognition designated at FVTPL.

Financial assets held for trading are assets that were acquired or incurred principally for the purpose of generating a profit from short-term fluctuations in their price or the dealer's margin. Financial assets are classified as held for trading if, regardless of the reason they were acquired, they are part of a portfolio for which there is evidence of a recent actual pattern of short-term profit taking.

Financial assets held for trading include investments and certain purchased loans and derivative contracts that are not designated as effective hedging instruments. All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as trading assets. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as financial liabilities at FVTPL.

Subsequent to initial recognition, all financial assets at FVTPL are measured at fair value based on the market prices quoted on an active market, except for derivative instruments that are not exchange-traded and financial assets that are not quoted on an active market, which are measured based on generally accepted valuation techniques depending on the product. Gains and losses arising from changes in the fair values of financial assets at FVTPL are recognised in the income statement.

F.1.2.4. Financial assets at AC

Financial assets at AC comprise cash and cash equivalents, loans and receivables due from banks and other financial institutions, loans due from customers, trade receivables and accrued income, and certain investment debt securities.

A financial asset is measured at AC if it meets both of the following conditions and is not designated as at FVTPL (held-to-collect business model):

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial recognition, the Group measures these financial assets at AC less any relevant impairment. Interest revenue, determined using the effective interest method, expected credit losses and reversals, and foreign exchange gains and losses related to financial assets at AC are recognised in the income statement.

When the financial assets at AC are derecognised, the gains or losses are recognised in the income statement.

F.1.2.5. Financial assets at FVOCI

Financial assets at FVOCI comprise equity and debt securities. Both equity and debt securities, are initially measured at fair value plus eligible transaction costs.

For equity securities that are not held for trading the Group on initial recognition may irrevocably elect to present subsequent any changes in fair value in OCI. This election is made on an investment-by-investment basis.

After initial recognition, the Group measures equity securities at fair value, where any revaluation gain or loss is recognised in other comprehensive income. No expected credit losses (impairment) are recognised for equity securities. Dividends from equity securities at FVOCI are recognised in the income statement.

When equity securities at FVOCI are derecognised, under no circumstances is the cumulative gain or loss previously recognised in equity reclassified to the income statement. Instead, it is directly reclassified to retained earnings. The transaction costs incurred on disposal of equity securities at FVOCI are recognised in the income statement.

A debt security is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, the Group measures the above debt securities at fair value. Interest revenue determined using the effective interest rate method, expected credit losses (impairment), and foreign exchange gain or loss are recognised in the income statement, whereas any other revaluation gain or loss is recognised in other comprehensive income.

When the debt securities at FVOCI are derecognised, the cumulative gain or loss previously recognised in equity is reclassified to the income statement.

For debt securities that are not held for trading, the Group on initial recognition may irrevocably elect to present a subsequent change in fair value in FVTPL if, and only if, such designation eliminates or significantly reduces a measurement or recognition inconsistency. This election is made on an investment-by-investment basis.

F.1.2.6. Trade receivables

Trade receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market, other than those classified as at FVTPL or at FVOCI.

Trade receivables (unless those without a significant financing component that are initially measured at the transaction price) are initially measured at fair value plus eligible transaction costs. The Group subsequently measures the trade receivables at AC less any relevant impairment.

Amounts receivable from and payable to other domestic and foreign operators related to transit are netted and settled net on a regular basis.

F.1.2.7. Cash and cash equivalents

Cash equivalents are short-term (with original maturities of one month or less from the date of acquisition), highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are carried at AC less any relevant impairment.

Mandatory minimum reserves as the part of balances with central banks are classified under loans and receivables due to banks.

F.1.2.8. Lease transactions

Loans and receivables include the Group's net investment in finance leases where the Group is acting as the lessor. The net investment in finance leases is the aggregate of the minimum lease payments and any unguaranteed residual value accruing to the lessor discounted at the interest rate implicit in the lease. Lease payments include repayment of the finance lease principal and interest income. Recognition of the interest is based on a variable interest rate, which is applied to the net investment (principal) outstanding in respect of the finance lease. Income from finance leases is allocated over the lease term on a systematic basis.

F.1.3. Derecognition of financial assets and liabilities

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised separately as asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire or when its terms are modified and the cash flows of the modified liability are substantially different. In that case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

F.1.4. Derivatives and hedge accounting

At the inception of a financial derivative contract, the Group designates the derivative instrument as either held for trading or hedging.

Hedging derivatives are derivatives that the Group uses to hedge against interest rate and foreign exchange rate risks to which it is exposed as a result of its financial market transactions. The Group designates a derivative as hedging only if the criteria set out under IFRS are met at the designation date, i.e. if, and only if, all of the following conditions are met:

- there is compliance with the Group's risk management objective and strategy in undertaking the hedge;
- at inception of the hedge there is formal designation and documentation of the hedging relationship which includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk;
- the hedge is expected to be highly effective at inception and throughout the period;
- the effectiveness of the hedge can be reliably measured; and
- changes in the fair value or cash flows of the hedged item are almost fully offset by changes in the fair value or cash flows of the hedging instrument and the results are within a range of 80% to 125%.

Hedging derivatives are accounted for according to the type of hedging relationship, which can be one of the following:

- a hedge of an exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and that could affect profit or loss (fair value hedge); or
- a hedge of an exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and that could affect profit or loss (cash flow hedge).

Changes in the fair value of a derivative that is designated and qualified as a cash flow hedge and that proves to be highly effective in relation to hedged risk are recognised in OCI and they are transferred to the income statement and classified as income or expense in the periods during which the hedged assets and liabilities affect the income statement.

On this basis, the Group hedges the interest rate risk and foreign currency risk associated with selected portfolios of assets or liabilities or individually significant assets or liabilities. The effectiveness of the hedge is regularly tested through prospective and retrospective tests on a quarterly basis. If the hedge no longer meets the criteria for hedge accounting, the hedging instrument expires or is sold, terminated or exercised, the entity revokes the designation and the hedge accounting is discontinued prospectively.

Financial derivatives representing economic hedges under the Group's risk management positions but not qualifying for hedge accounting under the specific rules of IAS 39 are treated as derivatives held for trading.

An embedded derivative is a component of a combined instrument that also includes a non-derivative host contract – with the effect that some of the cash flows or other characteristics of a combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative may be separated from the host contract and accounted for as a separate derivative if, and only if:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- a separate financial instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the host instrument is not measured at fair value with changes in fair value recognised in profit or loss or the host instrument is measured at fair value, but changes in fair value are recognised in the statement of financial position.

F.1.5. Repurchase agreements

The Group enters into purchases (sales) of investments under agreements to resell (repurchase) substantially identical investments at a certain date in the future at a fixed price (repos). Investments purchased subject to commitments to resell them at future dates are not recognised. The amounts paid are recognised in loans to either banks or non-banks. The receivables are shown as collateralised by the underlying security. Investments sold under repos continue to be recognised in the statement of financial position and are measured in accordance with the accounting policy relevant for the appropriate business model. The proceeds from the sale of the investments are reported as liabilities to either banks or non-banks.

The difference between the sale and repurchase considerations is recognised on an accrual basis over the period of the transaction and is treated as interest.

F.1.6. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and the intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

F.1.7. Impairment

F.1.7.1. Non-derivative financial assets

The Group's entities recognise the loss allowance for ECLs on the following financial instruments that are not measured at FVTPL:

- loans and receivables due from banks and other financial institutions;
- loans due from customers;
- trade receivables and accrued income;
- cash and cash equivalents;
- debt instruments at FVOCI;
- lease receivables; and
- loan commitments and financial guarantee contracts issued (previously, impairment was measured under IAS 37 Provisions, Contingent Liabilities and Contingent Assets).

No impairment loss is recognised on equity investments.

The Group measures loss allowances on either of the following bases:

- *12-month ECLs*: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- *lifetime ECLs*: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group recognises loss allowances at an amount equal to lifetime ECLs for a financial instrument, if the credit risk on that financial instrument has increased significantly since initial recognition – whether assessed on an individual or collective basis – considering all reasonable and supportable information. If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, an entity measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Group has elected to measure loss allowances for trade and lease receivables and accrued income at an amount equal to lifetime ECLs.

Credit impaired financial assets

At each reporting date, the Group assesses whether financial assets are credit-impaired (referred to as Stage 3 financial assets). The Group classifies financial asset as credit-impaired when it exceeds 90 days past due.

The Group also considers other events that can have a detrimental effect on the estimated future cash flows of the financial asset resulting in credit-impaired classification. Examples of these events are:

- significant financial difficulty of the borrower or issuer;
- breach of contract such as a default; or
- probability that the borrower will enter bankruptcy or other financial reorganisation.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses and is measured as follows:

- financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls - i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive;
- financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows;

- undrawn loan commitments: the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn and the cash flows that the Group expects to receive from this commitment; and
- financial guarantee contracts: the present value of the expected payments to reimburse the holder less any amounts that the Group expects to recover.

Inputs into measurement of ECLs

In general, the key inputs into the measurement of ECLs are probability of default (PD), loss given default (LGD) and exposure at default (EAD). Alone or together, these parameters are derived from internally developed statistical models based on own historical data or derived from available market data.

For the retail portfolio, PD and EAD are usually estimated together using statistical models (a stochastic Markov chain based model) based on internally compiled data. Where available, market data is also used to determine the PD for large corporate counterparties where there is not enough internally available data for statistical modelling.

LGD is estimated based on the history of recovery rates of claims against defaulted counterparties. It is calculated on a discounted cash flow basis using the effective interest rate as the discounting factor. For loans secured by retail property, loan-to-value (LTV) ratios are likely to be a key parameter in determining LGD and models will consider the structure, collateral, seniority of the claim, and recovery costs of any collateral that is integral to the financial asset.

For retail overdraft and credit card facilities and certain corporate revolving facilities that include both a loan and an undrawn commitment component, the Group measures ECLs over a period when the Group's ability to demand repayment and cancel the undrawn commitment does not limit the Group's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Group can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management but only when the Group becomes aware of an increase in credit risk at the facility level. This period is estimated considering the credit risk management actions that the Group expects to take and that serve to mitigate ECLs. These include a reduction in limits and the cancellation of the facility.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped based on shared risk characteristics, such as:

- instrument type;
- credit risk grade;
- collateral type;
- date of initial recognition;
- remaining term to maturity.

The grouping is subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

For portfolios in respect of which the Group has limited historical data, external benchmark information is used to supplement the internally available data.

Due to the Covid-19 pandemic and subsequent related events (like national quarantines, adjustments of risk management practices, extending debt relief to borrowers, application of specific guidance issued by governments or regulators, etc.) in countries where Home Credit subgroup (consumer lending business) operates, the Group's existing modelling techniques were not fully applicable for the calculation of ECL on some portfolios since, under the circumstances, purely statistical models can give inaccurate results, or it is not possible to calculate the results without undue cost or effort. The main reasons were lock-downs in the countries or states of emergency not allowing customers to hold their obligations. This usually results in the significant worsening of historical model statistics and the imposition of regulatory or governmental reliefs to customers (e.g. in form of payment holidays) also in situations when delinquency status of contracts has not changed for a certain period of time. To ensure the applicability of the overall methodology, the consumer loan portfolio has been separated into three parts.

The first part of the portfolio (the COVID portfolio), in which significant deterioration from the current (i.e. not overdue) delinquency bucket is observable during the first months of crisis and in additional significant pandemic waves. The identification is set based on the analysis of contracts falling newly into delinquency of 30+ days while being under this threshold level for a predefined period of time (typically 3-9 months). The aim of separating these loans is to exclude those clients who suddenly started to fall into delinquency at the time of the crisis, with the assumption that the Covid-19 crisis is the cause of this deterioration and that this deterioration does not correspond to the standard portfolio risk performance which could be expected in the future. All contracts included in the COVID portfolio are automatically provisioned by lifetime coefficients (i.e. assigned with Stage 2 or Stage 3 according to the corresponding delinquency bucket) and excluded from the portfolio based modelling to avoid incorrect ECL calculation.

The second part of the portfolio includes clients to whom payment holidays (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 the final estimation of SICR for this portfolio. For more information refer to the below section Determining whether credit risk has increased significantly.

Since there is no actual risk performance observable during the PayHol period, these contracts are excluded from portfolio-based ECL modelling as otherwise it would disrupt the statistics-based models. After the PayHol period ends and observation of actual risk performance is possible again, included contracts added back into the statistical models as well as removed from the PayHol portfolio for reporting purposes. If the share of the PayHol portfolio in a particular country is assessed as being high (~20%+), ECL assessment is done specifically for this portfolio based on an analysis of performance during and after the actual payment holidays period, as the risk on this portfolio is expected to be higher compared to the estimation based on standard coefficients due to the postponed recognition of the performance worsening. Based on the analysis, a management overlay covering the additional ECL is utilised to further improve the preciseness of overall ECL recognition.

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

Forward-looking information

The Group incorporates forward-looking information (FLI) based on both external and internal sources into its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and – where possible – as part of the measurement of ECLs. External information used includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Group operates, supranational organisations such as the Organisation for Economic Co-operation and Development (OECD) and the International Monetary Fund (IMF), commercial sources (such as Bloomberg or Thomas Reuters), and selected private sector and academic forecasters. Internal information then consists of both portfolio and vintage risk parameters and calibrated client scoring models and functions.

Depending on the availability of data and the credibility of its sources, the Group analyses historical data over the past 4 to 14 years to estimate the relationships between macro-economic variables and credit risk and credit losses. Key external drivers may include variables such as interest rates, unemployment rates, inflation rates, GDP growth rates, FX rates and other macroeconomic variables and their forecasts.

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 utilising the macroeconomics data during and post crisis.

The provisions are based on the latest macro-economic forecast. Specifically in the consumer lending business, in response to the Covid-19 pandemic situation, the Group uses three scenarios with set weights for the evaluation of the impact:
- base scenario – in general, development according to available macroeconomics forecasts
- adverse scenario – either based on a worsening of the base scenario, or on a percentile from historical development (depending on reliability of model results)
- optimistic scenario – either based on an improvement of the base scenario, or based on a percentile from historical development (depending on reliability of results)

Scenario weights are set according to the latest expectations (the weight of the base scenario is mostly in the range of 70-80%, the rest is being distributed among adverse and optimistic scenarios) for each country based on the applicable facts and circumstances.

In current times of high volatility and persisting uncertainty about future developments when portfolio quality and the economic environment are rapidly changing, FLI models alone may not be able to accurately predict losses among the subgroup. Therefore, management uses not only the latest available forecasts for individual markets to compute external FLI impacts but also applies additional overlays to the extent of the latest ECL estimates on PayHol portfolios and assumptions on changes in post-crisis recovery development, which are considered to be the main potential internal sources of volatility in the resulting ECL estimates. The resulting management adjustments are applied to reflect the overall ECL appropriately both on the subgroup and local levels.

Credit risk grades

The Group allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement.

The Group uses these grades to identify significant increases in credit risk. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default. These factors may vary depending on the nature of the exposure and the type of borrower.

Each exposure is allocated to a credit risk grade upon initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade.

Credit risk grades and client's score are primary inputs into the determination of the probability of default (PD) development for exposures. The Group collects performance and default information about its credit risk exposures analysed by jurisdiction, by type of product and borrower and by credit risk grading. For some portfolios, information purchased from external credit reference agencies may also be used.

The Group employs statistical models to analyse the collected data and generate estimates of the remaining lifetime PD of exposures and how these are expected to change over time.

Group's internal credit risk grades

The Group uses internal credit risk grades for provided debt instruments and loans. The table below indicates how the Group's internal credit risk grades relate to the external long-term ratings used by Moody's rating agency:

Internal rating	External rating
Very low risk	Aaa-Aa
Low risk	A-Baa
Medium risk	Ba-B
High risk	Caa-Ca
Default	C and lower

Determining whether credit risk has significantly increased

The Group considers historical experience, expert credit assessment, forward-looking information, and other relevant reasonable and supportable information.

The criteria may vary by portfolio and include a backstop based on delinquency. As a backstop, the Group presumptively considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. The Group determines days past due by counting the number of days since the earliest elapsed due date in respect of which full payment – subject to materiality threshold – has not been received.

The Group deems the credit risk of a particular exposure to have increased significantly since initial recognition if since initial recognition the remaining lifetime PD is determined to have increased more than is defined for the respective exposure class.

Assessing whether credit risk has increased significantly since initial recognition of a financial instrument requires identifying the date of the initial recognition of the instrument. For certain revolving facilities (e.g. credit cards and overdrafts), the date of their first use could have been a long time ago. Modifying the contractual terms of a financial instrument may also affect this assessment.

In certain instances, using its expert credit judgement and, where possible, relevant historical experience, the Group may determine that an exposure has undergone a significant increase in credit risk if particular qualitative factors indicate this and if those indicators may not be fully captured by its quantitative analysis on a timely basis.

The Group monitors the suitability of the criteria used to identify significant increases in credit risk by regular reviews to confirm that results of assessment are compliant with IFRS 9 and internal guidelines and settings.

Specifically to the consumer lending business, in response to the Covid-19 pandemic, the Group implemented additional procedures related to SICR, where collective assessment utilising internal or external data available on the particular market (qualitative assessments, impact on business sectors, impact on different geographical location, data acquired during collections processes, qualitative research etc.) could be used instead or together with the standard case-by-case basis described above. This holds, in particular for, the PayHol portfolio (for detailed information on the portfolio split refer to the above section Measurement of ECLs), where the actual risk behaviour is not observable and standard PD estimation cannot be utilised. The PayHol portfolio is continuously and closely monitored in the collection processes. If a client faced short-term problems which are mitigated after the end of payment holidays, the performance gets back to standard. If the crisis triggers long-term problems, the standard staging is usually applied to the clients' exposures. The COVID portfolio (significantly impacted by the crisis) is automatically considered to be subject to SICR and lifetime ECL is applied.

Definition of default

The Group considers a financial asset to be in default when there is available information that:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the borrower is more than 90 days past due on the respective significant credit obligation to the Group. Overdrafts are considered past due once the customer has breached an advised limit or been advised of a limit that is smaller than the current amount outstanding.

In assessing whether a borrower is in default, the Group considers indicators that are:

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status; and
- based on data developed internally and obtained from external sources (e.g. insolvency or bankruptcy loan registers).

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to the current or potential credit deterioration of the customer.

The Group renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Group's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants.

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Group determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:

- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms; with
- the remaining lifetime PD at the reporting date based on the modified terms.

When a financial asset is modified, the Group assess whether this modification results in derecognition. In accordance with the Group's policy, a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms the Group considers both qualitative (such as SPPI criterion, change in currency, change in counterparty, maturity, covenants) and quantitative (such as comparison of present values of the remaining contractual cash flows under the original terms with the contractual cash flows under the modified terms) factors.

Forbearance

Generally, forbearance is a qualitative indicator of default and credit impairment. Expectations of forbearance are relevant in assessing whether there is a significant increase in credit risk.

Following forbearance, a customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be in default/credit-impaired or the PD is considered to have decreased for the loss allowance to revert to being measured at an amount equal to 12-month ECLs.

Due to the Covid-19 pandemic, the Group 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.

Write-offs

Loans and debt securities are written off when the Group has no reasonable expectations of recovering the financial asset (in neither its entirety nor a portion of it). This is the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Group may also apply enforcement activities to financial assets being written off. Recoveries resulting from the Group's enforcement activities will result in impairment gains.

Presentation of allowances for ECL in the financial statements

Loss allowances for ECL are presented in the statement of financial position as follows:

- for financial assets measured at AC: as a deduction from the gross carrying amount of the assets;
- for debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the investments revaluation reserve;
- for loan commitments and financial guarantee contracts: as a provision; and
- where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The combined amount is presented as deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

F.1.7.2. Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than biological assets, investment property, inventories, deferred acquisition costs, the present value of future profits on acquired insurance portfolios and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired.

For impairment testing, assets are grouped together into the smallest group of assets generating cash inflows from continuing use largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in the income statement. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, impairment losses are reversed only to the extent that the assets' carrying amounts do not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

F.1.8. Leases

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

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

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

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

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

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

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

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

F.1.9. Inventories

Inventories are stated at the lower of cost and net realisable value (being the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale). Where the net realisable value is below cost, inventories are written down to the lower value, and the impairment loss is recorded in the income statement. Costs of inventories include the purchase price and related costs of acquisition (transport, customs duties and insurance). The cost of inventory is determined using weighted average cost.

Trading property is a special kind of inventory comprising land and buildings constructed or acquired by the Group for future sale. Trading property is measured at the lower of cost and net realisable value.

F.1.10. Biological assets

Biological assets are measured at fair value less estimated point-of-sale costs, with any change therein recognised as profit or loss. Point-of-sale costs include all costs that would be necessary to sell the assets. The fair value of biological assets is determined based on market prices of similar biological assets in local areas.

Agricultural produce is transferred to inventory at its fair value less estimated point-of-sale costs at the date of harvest.

F.1.11. Assets held for sale

Non-current assets (or disposal groups comprising assets and liabilities) expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before being classified as held for sale, the assets (or components of a disposal group) are measured in accordance with the applicable IFRS. Thereafter, the assets (or disposal groups) are generally measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group is allocated to assets and liabilities on a pro rata basis, except that no loss is allocated to inventory, financial assets, deferred tax assets, employee benefit assets, investment property and biological assets; these continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and any subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

F.1.12. Deferred acquisition costs of insurance contracts

Direct costs arising from the writing or renewing of insurance contracts are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred. Subsequent to initial recognition, deferred acquisition costs are amortised over the period in which the related revenues are earned. The reinsurers' shares of deferred acquisition costs are amortised in the same manner as the underlying asset amortisation is recorded.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in the statement of comprehensive income.

Deferred acquisition costs are derecognised when the related insurance contracts are either settled or disposed of.

F.1.13. Investment property

Investment properties are properties that are held either to earn rental income or for capital appreciation or for both. A property owned by the Group is treated as an investment property if it is not occupied by a Group company or if only an insignificant portion of the property is occupied by a Group company.

Subsequent to initial recognition all investment properties are measured at fair value. The fair value is determined annually based on appraisals by an independent external expert or based on internal valuations in the case of projects with immaterial value.

The external valuations are always obtained from leading market experts such as Colliers International, Cushman & Wakefield or CBRE. All the valuation reports are based on a generally worldwide accepted RICS (Royal Institute of Chartered Surveyors) valuation methodology, which is one of the best methods used to obtain the fair market valuation of the given property, especially in the absence of any actual transactions. All the valuation reports produced by external experts are then subject to several rounds of discussions and challenges before the final figures are obtained and agreed.

When the Group applies internal valuations the fair value of investment property is determined using the discounted cash flow or comparable method. Such valuations require the use of judgment and assumptions about future market conditions.

Property that is being built or developed for future use as investment property is classified as investment property and recognised at fair value. In case the fair value is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete.

Any gain or loss arising from a change in fair value is recognised in the income statement. Rental income from investment property is accounted for over the lease term.

When an item of property, plant and equipment becomes an investment property following a change in its use, any gain arising at the date of transfer between the carrying amount of the item and its fair value, and the related deferred tax thereon, is recognised directly in equity. Upon disposal of the item, the gain is transferred to retained earnings. Any loss is recognised in the income statement immediately.

Subsequent expenditures relating to investment properties are capitalised if they extend the useful life of the assets; otherwise, they are recognised as an expense.

F.1.14. Property, plant and equipment

Property, plant and equipment is stated at the purchase price or production cost, less accumulated depreciation (except for freehold land) and any accumulated impairment losses.

Property, plant and equipment include all costs directly attributable to bringing an asset to the working condition for its intended use. With respect to the construction of a network, this comprises every expenditure up to the customer premises, including the cost of contractors, material, direct labour costs and interest cost incurred during the course of construction.

The gain or loss on the disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property, plant and equipment, and is recognised in other operating income/other operating expenses in profit or loss.

Depreciation is provided on a straight-line basis using the following useful lives:

Buildings and constructions	up to 90 years
Ducts and cables	up to 45 years
Telecommunication technology and equipment	up to 35 years
Other tangible assets and equipment	up to 35 years

Component parts of an asset that have different useful lives or provide benefits in a different pattern are recognised as separate assets with different depreciation rates.

The depreciation methods, useful lives, and residual values, if not insignificant, are reassessed annually. If a material technical improvement is made to an asset during the year, its useful life and residual value are reassessed at the time the technical improvement is recognised.

F.1.15. Intangible assets and goodwill

F.1.15.1. Goodwill and gain on bargain purchase

The Group accounts for all business combinations, except those determined to be reorganisations involving group companies under common control (refer to A.5) as acquisitions.

Goodwill is measured at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units at the date of the acquisition and is not amortised but instead tested for impairment, annually or more frequently if events or changes in circumstances indicate that it might be impaired. Gain on bargain purchase (formerly negative goodwill) arising on the acquisition is recognised immediately in the income statement.

In respect of equity-accounted investees, the carrying amount of any goodwill is included in the carrying amount of the investment in the associate.

F.1.15.2. Trademarks

Trademarks that were acquired separately are initially measured at cost, while trademarks acquired through a business combination are measured at fair value. Trademarks with finite useful life are amortised on a straight-line basis over their useful life. Trademarks with infinite useful life are not amortised but they are tested for impairment annually or whenever there is an indication that the trademark may be impaired.

F.1.15.3. Present value of future profits from acquired portfolio

On the acquisition of a portfolio of long-term insurance contracts or investment contracts, either directly or through the acquisition of an enterprise, the net present value of the shareholders' interest in the expected cash flows of the portfolio acquired is capitalised as an asset. This asset, referred to as the present value of future profits (PVFP), is calculated on the basis of an actuarial computation taking into account assumptions for future premium income, contributions, mortality, morbidity, lapses and returns on investments. PVFP is recognised separately for insurance segments and for the respective companies.

The PVFP is amortised over the average effective life of the contracts acquired, using an amortisation pattern reflecting expected future profit recognition. The assumptions used in the development of the PVFP amortisation pattern are consistent with the ones applied in its initial measurement.

F.1.15.4. In-process research and development assets

Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends, and has sufficient resources, to complete development and use or sell the asset. In-process research and development (IPRD) assets consist of biotech licence deals acquired in a business combination. These assets are measured at fair value on initial recognition.

Subsequent IPRD expenditures are capitalised on the basis of technical feasibility as indefinite-lived intangible assets and remain in the balance sheet, subject to impairment, until completion. Amortisation over their useful life commences when research and development is complete. Alternatively, if the project in question is abandoned, the carrying value of the associated IPRD assets is expensed.

F.1.15.5. Other intangible assets

Other intangible assets, including software, licences and customer relationships, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses. Such categories of assets with finite useful lives are amortised on a straight-line basis. The estimated useful lives are as follows:

Software	up to 25 years
Trademark	indefinite/20 years
Licences	up to 20 years
Customer relationships	10-14 years
PVFP	5 years (non-life portfolio)
Other	up to 58 years

The amortisation methods, useful lives and residual values, if not insignificant, are reassessed annually. If a material technical improvement is made to an asset during the year, its useful life and residual value are reassessed at the time the technical improvement is recognised.

As for the life and non-life portfolio, the recoverable amount of the value of the in-force business acquired is determined by conducting a liability adequacy test (LAT) on the insurance provisions, taking into account the deferred acquisition costs, if any, recognised in the statement of financial position. Any impairment losses are recognised in the income statement.

Where there is any indication that an impairment loss recognised for PVFP in prior years no longer exists, the carrying amount of PVFP is increased to its estimated recoverable amount. The increased carrying amount of PVFP due to reversal of impairment loss may not exceed the carrying amount that would be determined if no impairment loss had been recognised for PVFP in prior years, net of any amortisation accounted for in the meantime.

F.1.16. Programming assets

Programming assets consist of programming (film and television licences) rights acquired from third parties and own-produced programming rights, which together form the majority of the Group's broadcast schedules. Programming rights related to contracted rights that are not yet available for immediate broadcast are presented as off-balance sheet programming assets.

F.1.16.1. Acquired programming rights

Acquired programming rights are recognised at their acquisition cost when the Group obtains control over the right, including when it reasonably expects that the right will generate future economic benefits, which is usually when the license period begins, and the programmes are available for broadcast.

The cost incurred to acquire programming rights is allocated to individual programmes on the basis of their relative value, which is often specified in the license agreement. Acquired programming rights are recognised as current assets, while the related liability is classified as current or non-current according to the payment terms of the license agreement.

F.1.16.2. Own produced programming rights

Own-produced programming rights consist of deferred film and television costs including direct costs, production overhead and development costs. The costs are stated at the lower of cost or net realisable value. Own-produced programming rights are recognised as current assets. The own-produced programming rights are intended primarily for exploitation on the Group’s own channels and platforms.

F.1.16.3. Consumption of programming rights

The Group determines the expected number of runs and allocates the total cost of a programming right to each run based on the proportion of revenues expected to be earned for the specific run to the total expected revenues to be earned for the whole programme. The process for evaluating these revenues is tailored to the potential the Group believes a title has for generating multiple revenues. The programmes are expensed in a manner that reflects the pattern in which the benefits of the consumption of programming rights are received. Accordingly, the estimates of future advertising and other revenues, and the future broadcasting schedules have a significant impact on the value of consumption of programming rights.

When the initial airing of a programme is expected to provide more value than any subsequent airings, the Group applies an accelerated method of amortisation. These accelerated methods of amortisation are based on historical data for similar programming. For content that is expected to be aired only once, the entire cost is expensed once the content is broadcast. For programming rights which are not advertising-supported, the programme's cost is expensed on a straight-line basis over the license period.

F.1.16.4. Impairment of programming rights

Programming rights are evaluated to determine if expected revenues to be earned broadcasting a programme, less additional costs to be incurred (including exploitation costs), are not lower than the book value of the programme. If the expected revenues are lower than the carrying value of the programme, the programming rights are written down to their net realisable value by recording an impairment charge. The net realisable value is assessed on a segment portfolio basis unless specific indicators of impairment are identified for individual titles. The impairment charges are presented as a component of consumption of programming rights in net media income (refer to F.1.30).

F.1.17. Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

F.1.17.1. Current tax

Current tax is the expected tax payable on the taxable income for the year, using the tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

The Group does not offset current tax assets and current tax liabilities unless it has a legally enforceable right to set off the recognised amounts or intends to settle them on a net basis, or to realise the asset and settle the liability simultaneously.

F.1.17.2. Deferred tax

A deferred tax position is recognised in cases when temporary differences arise between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the initial recognition of goodwill arising from a business combination, the initial recognition of assets or liabilities that affect neither the accounting nor the taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using the tax rates enacted or substantially enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Recognised deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Group offsets deferred income tax assets and deferred income tax liabilities only if it has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income tax levied by the same taxation authority and relate to the same taxable entity.

F.1.17.3. Tax exposure

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these issues is different from the amounts initially recorded, such differences will affect the income tax and deferred tax provisions in the period in which such determination is made.

F.1.18. Deposits, loans, debt securities issued and subordinated liabilities

Liabilities due to non-banks and due to banks, debt securities issued and subordinated liabilities are the Group's sources of debt funding.

Deposits, loans, debt securities issued and subordinated liabilities are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Group designates liabilities at FVTPL.

F.1.19. Other liabilities and provisions

Accounts payable arise when the Group has a contractual obligation to deliver cash or another financial asset. Accounts payable are measured at AC, which is normally equal to their nominal or repayment value.

A provision is recognised in the statement of financial position when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reasonable estimate can be made of the amount of the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

F.1.20. Insurance provisions

F.1.20.1. Provisions for unearned premiums

Provisions for unearned premiums comprise the part of gross premium revenue attributable to subsequent periods, calculated separately for each insurance contract.

F.1.20.2. Life insurance provisions

Life insurance provisions comprise the actuarially estimated value of the liabilities under life insurance contracts. The provisions remain unchanged unless a liability inadequacy arises. A liability adequacy test (LAT) is performed at each reporting date by the Group's actuaries using current estimates of the future cash flows under the insurance contracts.

F.1.20.3. Provisions for outstanding claims

Provisions for outstanding claims represent the total estimated cost of settling all claims arising from events that occurred up to the reporting date, whether reported or not, less amounts already paid in respect of such claims. These provisions include claims reported by policyholders but not settled (RBNS) and claims incurred but not reported (IBNR). Provisions for outstanding claims are not discounted for the time value of money.

F.1.20.4. Other insurance provisions

Other insurance provisions contain all other insurance technical provisions not mentioned above, such as provisions for unexpired risks (also referred to as the premium deficiency) in non-life insurance, ageing provisions in health insurance, provisions for contractual non-discretionary bonuses in non-life business and other similar provisions.

F.1.21. Equity

F.1.21.1. Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the paid consideration, including directly attributable costs, is recognised as a change in equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity.

F.1.21.2. Dividends

Dividends on share capital are recognised as a liability provided they are declared before the reporting date. Dividends declared after the reporting date are not recognised as a liability but are disclosed in the notes.

F.1.21.3. Non-controlling interests

Non-controlling interests consist of the minority shareholders' proportion of the subsidiary's recognised net assets at the date of the original combination, plus or minus their share of changes in the subsidiary's equity since that date.

Net profit allocated to non-controlling interests is the part of the net results of the Group attributable to interests not owned, either directly or indirectly through subsidiaries, by the equity holders of the Parent Company.

Losses applicable to non-controlling interests, including negative other comprehensive income, are allocated to non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

F.1.22. Interest income and interest expense

Interest income and interest expense are recognised in the income statement on an accrual basis, taking into account the effective yield of the asset or liability in question, or the applicable floating rate. Interest income and interest expenses include the amortisation of any discounts or premiums or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated using the effective interest rate method.

F.1.23. Net fee and commission income

Fee and commission income arises from financial services provided by the Group, including cash management services, payment clearing, investment advice and financial planning, investment banking services, and asset management services. Fee and commission expenses arise on financial services provided to the Group including brokerage services, payment clearing, and asset management services. Fee and commission income and expenses are recognised when the corresponding service is provided or received. A penalty fee is recognised when a penalty is charged to a customer, taking into account its collectability.

The Group acts as an agent for insurance providers offering their insurance products to consumer loan borrowers. Commission income from insurance represents commissions for such agency services received by the Group from such partners. It is not considered to be integral to the overall profitability of consumer loans because it is determined and recognised based on the Group's contractual arrangements with the insurance provider rather than with the borrower, the borrowers have a choice whether to purchase the policy, and the interest rates for customers with and without the insurance are the same. The Group is not exposed to the insurance risk as it is borne by the partner. Commission income from insurance is recognised in profit or loss when the Group provides the agency service to the insurance company.

F.1.24. Net gain/loss on financial assets

Net gain/loss on financial assets comprises net trading income, net gains on financial assets at FVTPL that are not held for trading, net realised gains, and dividends.

Net trading income arises from the subsequent measurement of trading assets and trading liabilities at fair value or from their disposal. The amount of trading income to be recorded represents the difference between the latest carrying value and the sale price or between the latest carrying value and the fair value as of the date of the consolidated financial statements.

Net gains on financial assets at FVTPL that are not held for trading arise from their subsequent measurement at fair value or from their disposal.

A realised gain/loss arises on the de-recognition of financial assets other than financial assets at FVTPL. The amount of the realised gain/loss represents the difference between the carrying value of the financial asset and the sale price adjusted for any cumulative gain or loss directly recognised in equity.

Dividends from financial assets are recorded in the income statement once declared and approved by the shareholders' general meeting of the respective company.

F.1.25. Net insurance premium revenue

Net insurance premium revenue includes gross premium revenue from the direct insurance business and assumed (inwards) reinsurance business, net of premiums ceded to reinsurers.

F.1.26. Net insurance benefits and claims

Insurance technical charges include claims (benefit) expenses, a change in technical provisions and rebates, and profit sharing. Claims expenses consist of benefits and surrenders, net of reinsurance. Benefits and claims comprise all payments made in respect of the financial year: annuities, surrenders, additions and releases of loss provisions to and from ceding insurance enterprises and reinsurers, and external and internal claims management costs.

F.1.27. Acquisition costs

Acquisition costs are costs arising from the conclusion of insurance or investment contracts and include direct costs, such as acquisition commissions, as well as indirect costs, such as advertising costs and administrative expenses. After initial recognition, the acquisition costs for non-life contracts are amortised over the expected life of the contracts.

F.1.28. Net real estate income

Rental income is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income. Rent increases calculated with reference to an underlying index are recognised in income as they are determined. Rental income from investment properties is included in the net rental income, while rental income from other operating leases is included in other income.

Property operating expenses include expenses directly attributable to rental income and other expenses related to investment property.

F.1.29. Net telecommunications income

Revenue and expenses are recognised on an accrual basis; i.e. when the flow of goods or services takes place, regardless of when the payment or collection is being made.

The Group generates revenues through the sale of mobile and fixed telecommunication services such as voice and data services, internet services, SMS services, ICT services as well as the sale of mobile and fixed access devices. Products and services may be sold separately or in bundles. The standard length of contracts with customers that includes a bundle is 24 months.

In the case of contracts containing bundles, the Group accounts separately for specific products or services if these products or services can be separated and have added value for the customer in that stand-alone form. The total price invoiced to customers is allocated to respective products and services based on their stand-alone selling prices.

Commissions paid to agents for activation, marketing, and other activities are included in the cost of sales for the period, unless it is the cost that meets the definition of incremental costs to obtain contracts. Capitalised incremental costs to obtain contracts are amortised over the expected average period that the customer uses the service of the Company.

F.1.29.1. Mobile origination - internet and data, voice services, MMS and SMS

Revenues from mobile services include revenues from both contract and prepaid cards for the provision of telecommunication services (internet and data, voice, MMS and SMS services).

Contract service comprises a flat rate and a variable part invoiced according to the actual usage. Revenues are recognised, invoiced, and paid by customers on a monthly basis according to the actual utilisation of services with the exception of contracts containing multiple services and products where the total transaction price is allocated based on the standalone selling prices of respective performance obligations. A typical contract is for 24 months.

Revenues from prepaid cards are recognised when voice or data traffic is made, other services are provided or the card expires and the associated prepaid credit expires. Prepaid cards are paid by customers purchasing a coupon or recharging an already purchased SIM card.

Interconnection revenues arise from calls and SMSs initiated in the networks of other domestic or foreign operators but terminating in or transiting through the Group's network. These revenues are recognised in profit or loss at the time when the call or SMS is received in the Group's network. Interconnection revenues are invoiced and paid on a monthly basis. The Group pays a part of the proceeds from its customers to domestic and foreign operators whose network is used for calls initiated in the Group's network and which use the networks of other domestic or foreign operators. Receivables and payables in respect of other domestic and foreign operators are regularly offset and settled.

Other mobile revenues include, in particular, revenues from virtual operators (MVNOs) for the use of the Group's mobile network services, roaming revenues and insurance revenues. Revenues from virtual operators for usage of the Group's mobile network and related services are recognised on a monthly basis; the price is usually set at a flat monthly rate with a variable component charged according to the actual usage of individual MVNOs. The services are invoiced to and paid by MVNOs on a monthly basis. Roaming revenues are revenues from foreign partner operators for their customers' usage of the Group's mobile network. The services are invoiced and paid on a monthly basis according to the actual usage. As a rule, agreed volume discounts are calculated annually, for which estimates are created by the Group on a monthly basis. Revenues are recognised on a monthly basis. Revenues from insurance include revenues from insurance of mobile devices and travel insurance sold to the Group's customers. The service is invoiced and paid by customers on a monthly basis, which is in line with the recognition of relevant revenues. Customers have the option to terminate this service at any time without penalty.

F.1.29.2. Fixed services – voice, internet, data and television

Revenues from fixed telecommunication services include revenues from internet connectivity, data, TV, and fixed voice services. The services are offered at a flat monthly rate with the option to purchase additional services, or with variable invoicing according to the actual usage. Revenues are recognised, invoiced, and paid by customers monthly. Currently, a typical contract duration is either 12 or 24 months.

Information and communication technology (ICT) services include complex customer solutions and managed services, mainly system integration, outsourcing services, project solutions and software development. Revenue recognition of such services reflects the substance of the service provided. Generally, it relates to services which are invoiced and paid by customers on a monthly basis, for a period of at least of 24 months. Revenue from fixed price construction contracts (long-term contracts) is recognised using the percentage of completion method, measured by reference to the percentage of the actual costs incurred to date to the estimated total costs of the contract. A loss expected from the construction contract is immediately recognised as an expense, when it is probable that total contract costs will exceed total contract revenue.

F.1.29.3. Equipment sales and sale of other goods

Revenues from the sale of equipment and other goods are recognised at the time of the sale, i.e. at the time the goods were handed over to the distributor or the final customer, which usually occurs when the contract is signed. Where equipment is subsidised and sold together with the services as a bundle, revenue from the subsidised equipment is recognised at the point of sale at a value determined using the stand-alone selling prices of services and products within the bundle.

Mobile devices and fixed access equipment can be paid for in full by the customer when sold or they can be sold on an instalment basis, with the contracts being signed for period from 12 to 48 months. Sale of equipment on instalment basis can contain significant financing component, which is presented as telecommunications income and recognised as revenues transferred over time.

F.1.29.4. Gross and net revenue recognition

Revenues within the network sharing project are recognised at net value, because mutually provided services within the project are of similar nature and value. Net revenues are generated from provision of premium SMS, audiotex or other services.

F.1.29.5. International transit

Revenue from transit represents the service of routing and termination of mostly international voice traffic of international operators utilising points of presence outside of the Czech Republic. The revenue is calculated by valuation of the incoming and outgoing minutes based on the measurement of monthly traffic.

F.1.29.6. Other wholesale revenues

Other wholesale revenues include but are not limited to revenues from the granting of the right to use the optical fibre (dark fibre); revenues are accrued at the time of signing of the contract and recognised as revenue on straight-line basis over the contract term. Revenue from housing represents data centre services; the revenue occurs continuously in accordance with the invoicing.

F.1.30. Net media income

Media revenues include television advertising revenues, carriage fees and subscription and other revenues.

F.1.30.1. Television advertising revenues

Television advertising revenues primarily result from the sale of advertising time. Television advertising revenues are earned as the commercials are aired. In some of the Group's operating territories, the Group has committed to provide advertisers with certain rating levels in connection with their advertising. Revenue is recorded based on a charge per gross rating point (GRP) ordered during the month, net of estimated shortfalls. Discounts and agency commissions on television advertising revenue are recognised on a monthly basis and are reflected as a reduction of gross revenue.

F.1.30.2. Carriage fees

Carriage fees include revenues from cable operators and direct-to-home broadcasters. Revenues from cable operators and direct-to-home broadcasters are recognised as revenue over the period for which the channels are provided and to which the fees relate. This fee revenue is generally based on the number of subscribers to offerings from these operators and broadcasters that include the Group’s channels. The impacts of future changes in subscriber levels are recognised when they occur, as estimates of future subscribers are constrained.

F.1.30.3. Subscription revenues

Subscription revenues include fees from subscribers for access to Voyo, the Group's platform. Revenues from subscriptions to the streaming services are recognised over the period of the subscription.

Other media revenues primarily include revenues from internet display advertising, as well as revenues from the licensing of the Group's media content.

Media revenue streams involve significant judgment with respect to the discounts and agency commissions provided to certain customers based on the amount of advertising purchased. Such discounts are based on estimates of the total amount expected to be earned and reduce revenue based on the systematic and rational allocation of the cost of honouring the discounts earned and claimed on each of the underlying revenue transactions that result in a customer's progress towards earning a discount.

Costs related to the media business include programming costs (consumption of programming rights, refer to F.1.16.), salaries and staff related expenses, royalties, external services and other operating costs.

F.1.31. Net mechanical engineering income

Revenues from mechanical engineering business, shown net of value added tax, comprise revenues from goods for resale, services rendered and revenues from mechanical engineering construction contracts (finished goods).

Revenues from goods for resale representing notably new rail vehicles and spare parts are recognised at a point in time, when the customer obtains control of the goods and to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The customer obtains control when the goods are delivered and accepted by the customer. Any relevant costs are recognised at the same time as the revenues.

For sales with multiple components in one contract, the Group determines whether the contract contains more than one transactions, performance obligations. Once certain criteria are met, for example the good brings benefit to the customer on its own, the Group applies recognition criteria for the distinct identifiable components in order to reflect the substance of the transaction. For the revenue recognition, two or more transactions can be analysed together, if it is not possible to understand their commercial substance without consideration of series of transactions as a whole, i.e. the unique transaction is not distinct within the context of the contract.

Revenues from services rendered and related costs are recognised at the moment the services are provided. For the long-term service contracts, the revenues and the associated costs are recognised over time based on the percentage of completion method.

F.1.31.1. *Revenues from mechanical engineering construction contracts*

Finished goods in mechanical engineering business represent specialised assets built to a customer's specifications. If a contract for these goods is terminated by the customer, the Group is, under usual contract terms, entitled to reimbursement of the costs incurred to date, including reasonable margin. Therefore, revenues from these contracts and the associated costs are recognised over time, i.e. before the goods are delivered to the customer's premises.

For the consolidation purposes (intercompany sales and purchases eliminations), the contract revenues and the associated costs are aggregated to the project level by the Group. The percentage of completion and related revenues and losses recognition is re-evaluated at the Group level.

F.1.32. Net toll operations income

Net toll operations income comprises sales of goods, representing the delivery of the toll collection system and on-board-units, sales of services comprising revenues from operating the toll collection and maintenance of the system, and related cost of sales.

Revenues from services are recognised over time according to time elapsed. Revenues from the sale of assets are recognised at a point in time.

Cost of sales include primarily the cost of the delivered toll collection system and on-board-units, expenses related to operating of the system and collection, and other services.

F.1.33. Net agriculture income

Net agriculture income comprises sales of agricultural produce, related cost of sales, other revenue from services provided in agriculture, and any change in the fair value of biological assets.

Sales of goods are presented net of returns, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Cost of goods includes:

- the value of agricultural inventories expensed in the period when the revenue from sales is recognised; these inventories are accounted for on a first-in, first-out basis;
- personnel expenses;
- depreciation of property, plant and equipment used in the agricultural production and amortisation of land lease rights; and
- other expenses such as repairs, utilities, agricultural services and other services.

F.1.34. Other income and other expenses

F.1.34.1. Income for services rendered

Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the reporting date. No revenue is recognised if there are significant uncertainties regarding the recovery of the consideration due or associated costs.

F.1.34.2. Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total lease expense.

F.1.35. General administrative expenses

General administrative expenses include expenses relating to the running of the Group. These include personnel costs, office rental expenses and other operating expenses. Staff costs include employees' salaries and wages, management remuneration and bonuses, and social insurance.

Within banking operations, administrative expenses include the costs of processing payments, maintaining customer accounts and records, and dealing with customers.

F.1.36. Employee benefits

The governments of the countries the Group operates in are responsible for providing pensions and retirement benefits to the Group's employees. A regular contribution linked to employees' salaries is made by the Group to the governments to fund the national pension plans. Payments under these pension schemes are charged as expenses as they fall due.

The Group also has obligations from defined benefit plans representing post-employment benefit plans that are other than defined contribution plans. The Group's net obligation in respect of the defined benefit plans is calculated separately for each plan by estimating the amount of the future benefit that employees earned in the current and prior periods. The resulting amount is discounted to determine its present value. The Group recognises all actuarial gains and losses under the defined benefit plans in other comprehensive income.

The Group recognises employee bonuses related to the given accounting period in accordance with the expectations of achievement of the targets of the Group, which take into consideration key performance indicators such as turnover or free cash flow after adjustments. The Group recognises a provision where the Group is contractually obliged to grant bonuses or where there is a past practice that has created a constructive obligation.

Employees whose employment was terminated due to statutory reasons are entitled to redundancy and severance payment. The Group recognises a provision for redundancy and severance payments when it is demonstrably committed to terminate the employment of current employees according to a detailed formal plan without an opt-out possibility. Severance payments falling due more than 12 months after the balance sheet date are discounted to their present value. The Group presently has no redundancy and severance obligations falling due more than 12 months after the balance sheet date.

F.2. Changes in accounting policies and accounting pronouncements adopted since 1 January 2020

F.2.1. 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 (the "Subgroup") adjusted its approach towards the identification and measurement of consumer loan impairments. The following enhancements to the ECL calculation as a result of Covid-19 were performed:

Economic scenarios sensitivity analysis of ECL estimates

Management considered the sensitivity of the ECL outcome against the economic forecasts as part of the ECL governance process by recalculating the ECL under two scenarios (adverse and optimistic) - described below for selected portfolios, applying a 100% weighting to each scenario in turn. The weighting is reflected in the measurement of the resulting ECL.

The subgroup simulated the impact of defaults for all retail loans in the various stages that might occur in the future under different economic scenarios. The retail loans' sensitivity analysis stated below is inclusive of management judgmental adjustments. The ECL resulting from the calculation of the adverse and optimistic scenarios should not be taken to represent the upper and lower limits of possible ECL outcomes. There is a particularly high degree of estimation uncertainty in numbers representing tail risk scenarios when assigned a 100% weighting since the scenarios are meant to be significantly less likely to occur.

In millions of EUR

Subsegment* (consumer lending)	Total ECL	Adverse scenario	Optimistic scenario
China	1,308	1,513	1,046
SSEA	244	262	208
CIS	105	117	93
CEE	169	173	157
Total	**1,826**	**2,065**	**1,504**

**For details on Operating segments refer to section D*

As at 31 December 2020, the most significant level of ECL sensitivity was observed in Mainland China. This higher sensitivity is largely driven by significant exposure in this region and more severe impacts of the adverse and optimistic scenarios relative to the probability-weighted scenarios. The scenario weighting reflects that tail scenarios are considered highly unlikely and highly volatile, therefore, the subgroup's preferred solution was to use weighted scenario with the option to use management adjustments.

Based on the year-end results and developments, the Group applied several adjustments and management overlays over the results obtained by regular calculation to appropriately reflect overall ECL estimation. In most countries, overlays were applied based on either the latest observable collection of data on PayHol portfolio's payment behaviour and the corresponding expectation of the future recovery on this particular portfolio part (holds for China/SSEA regions) or management assumptions on overall changes in post-crisis recovery development (holds for CIS/CEE regions).

The overall impact of Covid-19 related FLI (both internal and external) as at 31 December 2020 is EUR 197 million.

Definition of default

The subgroup expects to reassess the definition of default during the year ending 31 December 2021 and to account for this as a change in estimate. Implementation may lead to an increase in the amounts of financial instruments allocated between Stages 2 and 3. The Group is not able to quantify the effect that this change will have on the amount of ECL recognised in the financial statements at present but, on the basis of the work carried out to date, the subgroup does not expect the effect of this reassessment to be material.

Modified financial assets

Due to the 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 31 December 2020, the Group recognised forborne gross retail loans of EUR 1,642 million, which is 11.3% of total retail loan portfolio (2019: nil), and related ECL allowances of EUR 839 million representing 45.8% of total retail loan allowances (2019: nil), and forborne gross non-retail loans of EUR 62 million, which is 4.9% of total non-retail loans (2019: nil), and related ECL allowances of EUR 17 million representing 19.1% of total non-retail loan allowances (2019: nil).

For the enhancements related to inputs into measurement of ECL, forward looking information and determining whether credit risk has increased significantly refer directly to F.1.7.1 and the appropriate subsections.

F.2.2. New effective requirements

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

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

These amendments had no impact on the Group's consolidated financial statements, but may impact future periods should the Group enter into any business combinations.

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.

Hedges directly affected by interest rate benchmark ("IBOR") reform – Phase 1 amendments

For the purpose of evaluating whether there is an economic relationship between the hedged item(s) and the hedging instrument(s), the Group assumes that the benchmark interest rate is not altered as a result of interest rate benchmark reform.

For the cash flow hedge of a forecast transaction, the Group assumes that the benchmark interest rate will not be altered as a result of interest rate benchmark reform for the purpose of assessing whether the forecast transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss. In determining whether a previously designated forecast transaction in a discontinued cash flow hedge is still expected to occur, the Group assumes that the interest rate benchmark cash flows designated as a hedge will not be altered as a result of interest rate benchmark reform.

The Group will cease to apply the specific policy for assessing the economic relationship between the hedged item and the hedging instrument (i) to a hedged item or hedging instrument when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows of the respective item or instrument or (ii) when the hedging relationship is discontinued. For its highly probable assessment of the hedged item, the Group will no longer apply the specific policy when the uncertainty arising from interest rate benchmark reform about the timing and the amount of the interest rate benchmark-based future cash flows of the hedged item is no longer present, or when the hedging relationship is discontinued.

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

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact on the Group.

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

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

These amendments had no impact on the Group's consolidated financial statements.

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 was used by the Group during 2020 with immaterial impact on the Group's consolidated financial statements.

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

A number of new standards, amendments to standards, and interpretations were not yet effective as of 31 December 2020 and have not been applied in the preparation of the consolidated 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.

Interest Rate Benchmark Reform – Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (effective from 1 January 2021)

The amendments address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities; and hedge accounting.

Change in basis for determining cash flows

The amendments will require an entity to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform by updating the effective interest rate of the financial asset or financial liability.

Hedge accounting

The amendments provide exceptions to the hedge accounting requirements in the following areas.

- The designation of a hedging relationship may be amended to reflect changes that are required by the reform.
- When a hedged item in a cash flow hedge is amended to reflect the changes that are required by the reform, the amount accumulated in the cash flow hedge reserve will be deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.
- When a group of items is designated as a hedged item and an item in the group is amended to reflect the changes that are required by the reform, the hedged items are allocated to subgroups based on the benchmark rates being hedged.
- If an entity reasonably expects that an alternative benchmark rate will be separately identifiable within a period of 24 months, it is not prohibited from designating the rate as a non-contractually specified risk component if it is not separately identifiable at the designation date.

The amendments will require the Group to disclose additional information about the entity's exposure to risks arising from interest rate benchmark reform and related risk management activities.

The Group plans to apply the amendments from 1 January 2021. Application will not impact amounts reported for 2020 or prior periods.

IFRS 17 Insurance Contracts (effective from 1 January 2023)

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

IFRS 17 has not yet been adopted by the EU.

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

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

In general, these amendments and annual improvements, 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 IFRS 3 – References to the Conceptual Framework (effective from 1 January 2022)

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

These amendments have not yet been adopted by the EU and may impact the Group’s consolidated financial statements should the Group enter into any business combinations.

Amendment to IFRS 9 Financial Instruments – Fees in the ’10 per cent’ test for derecognition of financial liabilities (effective from 1 January 2022)

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment has not yet been adopted by the EU and is not expected to have a material impact on the Group's consolidated financial statements.

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

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

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

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

Amendments to IAS 1 Presentation of Financial Statements – Disclosure of Accounting Policies (expected effectiveness from 1 January 2023)

The amendments are intended to help preparers in deciding which accounting policies to disclose in their financial statements. Entities will be required to disclose its material accounting policy information instead of its significant accounting policies.

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

Amendments to IAS 8 Accounting policies, Changes in accounting estimates and Errors – Definition of Accounting Estimates (expected effectiveness from 1 January 2023)

The changes to IAS 8 focus entirely on accounting estimates. The definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.

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

G. Subsequent events

G.1. Moneta transaction

On 21 January 2021, Moneta Money Bank a.s. (a Czech listed company, "Moneta"), announced that it had received from PPF Group (through its subsidiary Tanemo a.s.) a public proposal for a voluntary tender offer for Moneta shareholders and an invitation for negotiations concerning the full acquisition of Air Bank and other Group companies (Home Credit a.s., Benxy s.r.o., and Home Credit Slovakia, a.s., collectively the "Air Bank Group") by Moneta.

A voluntary tender offer ("VTO") for the purchase of shares in Moneta pursuant to the Business Corporations Act (Act No. 90/2012 Coll., Section 322) was addressed to all existing shareholders of Moneta for a share purchase price of CZK 80 with a maximum volume of purchased shares of 20% of the total nominal value with the Group's right to increase it up to 29%. The acquisition of the shares above the 10% threshold was approved by the Czech National Bank on 16 April 2021. As at the date of these financial statements, Tanemo holds 153 million shares representing a 29.9% stake in Moneta.

On 6 May 2021, the Group and Moneta signed a framework agreement regarding the acquisition of the Air Bank Group by Moneta. The acquisition will be subject to the shareholders' approval at an extraordinary general meeting that will be held in June 2021 and subject to several regulatory approvals and antitrust clearance. Moneta shareholders will be asked to approve the acquisition and the issuance of new shares to the Group.

If/once approved by Moneta shareholders, Moneta will acquire 100% shares of Air Bank Group for a total consideration of CZK 25.9 billion (approx. EUR 1 billion) consisting of two components, a cash payment of CZK 2.59 billion (approx. EUR 100 million) and cash proceeds contributed by the Group through the subscription for 291.4 million newly issued Moneta shares. The new shares will be issued at CZK 80 per share, increasing Moneta's capital. The Group will gain a 36.3% stake in Moneta. The closing of the transaction is expected to occur in the second half of 2021. Subsequent to the closing, the Group will hold an estimated 55.4% share in Moneta. In this respect, the Group shall be obliged to launch a mandatory tender offer ("MTO") to acquire up to 100% shares of Moneta.

Until the closing, the Group will classify the Moneta stake as an associate, applying significant influence. After the closing, the Group will control the new Moneta group using the full method of consolidation.

On 6 May 2021, through its subsidiary Tanemo, the Group signed a senior facility agreement with a club of banks. The maximum drawing limit of the facility is CZK 28,6 billion (approx. EUR 1.1 billion) and could be used for the financing of Moneta shares already acquired in the VTO and any future shares acquired in the MTO process. The facility is secured by Moneta shares. As at the date of these financial statements, the drawn amount is approx. EUR 260 million.

G.2. Acquisition of US real estate

In December 2020, the Group signed an agreement for the acquisition of a US real estate project, a four-building, up-and-running office park located near Atlanta, Georgia. The transaction was set as an asset deal and closed in March 2021. The total consideration amounted to EUR 118 million.

G.3. Sale of minority stake in a biotech project

In January 2021, the Group finalised the sale of its 26% minority share in NBE-Therapeutics, a Swiss biotech company dealing in development of therapies for the treatment of solid tumours. The transaction comprised an upfront payment and contingent clinical and regulatory milestones.

In March 2021, the ultimate majority shareholder of PPF Group died.

14 May 2021

Board of directors:	Supervisory board:
Aleš Minx *Chairman of the board of directors*	František Dostálek *Chairman of the supervisory board*
Rudolf Bosveld *Member of the board of directors*	Lubomír Král *Member of the supervisory board*
Jan Cornelis Jansen *Member of the board of directors*	Kamil Ziegler *Member of the supervisory board*

PPF GROUP N.V.

Separate financial statements for the year ended 31 December 2020

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Company statement of financial position

In millions of EUR

	Note	31 December 2020	31 December 2019
ASSETS			
Investments in subsidiaries, associates and joint ventures	A1	6,371	7,402
Cash and cash equivalents	A2	629	587
Receivables and other assets	A3	1,072	975
TOTAL ASSETS		**8,072**	**8,964**
LIABILITIES			
Financial liabilities at fair value through profit or loss	A5	21	27
Loans and other liabilities	A5	136	140
TOTAL LIABILITIES		**157**	**167**
EQUITY			
Issued capital		1	1
Share premium		677	677
Other reserves		7,237	8,119
Total equity	A4	**7,915**	**8,797**
TOTAL LIABILITIES AND EQUITY		**8,072**	**8,964**

Company income statement

For the year ended 31 December

In millions of EUR

	2020	2019
Result of group companies after taxation	(226)	910
Other results after taxation	(23)	25
NET PROFIT/(LOSS) FOR THE PERIOD	**(249)**	**935**

GENERAL INFORMATION

These separate financial statements of PPF Group N.V. (the "Company") should be read in conjunction with the consolidated financial statements.

Accounting principles

To set the principles for the recognition and measurement of assets and liabilities and the determination of the result for its separate financial statements, the Company makes use of the option provided in Section 2:362 (8) of the Dutch Civil Code (the "DCC"). This means that the principles for the recognition and measurement of assets and liabilities and determination of the result of the Company are the same as those applied for the IFRS-EU consolidated financial statements. These IFRS-EU consolidated financial statements have been prepared in accordance with the standards and interpretations issued by the International Accounting Standards Board and endorsed by the European Union. Please refer to sections A.2, A.3 and F of the consolidated financial statements.

Participating interests in companies in which the Company significantly uses its influence on business and financial policies, are accounted for based on the equity method.

The separate financial statements are prepared, however, on the basis of Part 9 of Book 2 of the DCC and so the presentation and disclosure requirements in Part 9 of Book 2 of the DCC have to be complied with. Referring to the income statement of the Company, it is presented in compliance with Section 402 of Book 2 of the Dutch Civil Code.

The Company's board of directors authorised these separate financial statements for issue on 14 May 2021.

Cautionary statement with respect to forward-looking statements

Certain statements contained in this annual report are statements of future expectations and other forward-looking statements that are based on management's current view, estimates and assumptions about future events.

These forward-looking statements are subject to certain risks, uncertainties and special circumstances or events that may cause results to differ materially from those expressed or implied in such statements.

Identification

PPF Group N.V. was incorporated on 29 December 1994. The objectives of the Company are to manage, finance and participate in other companies.

Basis of presentation

All amounts are stated in euros (EUR) and rounded to the nearest million, unless stated otherwise.

Result from participating interest

The result from participating interest consists of the share of the Company on the result of the participating interests. Unrealised results from transactions with transfer of assets and liabilities between the Company and its participating interests and among participating interests are not recorded.

Going concern

These separate financial statements have been prepared on the basis of the going concern assumption as described in section A.9 of the notes to the consolidated financial statements for the year ended 31 December 2020.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

A.1 Investments in subsidiaries, associates and joint ventures

Movements in subsidiaries, associates and joint ventures comprise the following:

In millions of EUR, for the year ended 31 December

	2020	2019
Opening balance	**7,402**	**6,712**
Additional investments in group companies, including restructuring	1,255	236
Decrease of investments in group companies	(639)	(196)
Disposal of group companies	-	1
Dividend distribution	(817)	(639)
Other movements in shareholders' equity	(604)	378
Result of group companies	(226)	910
Closing balance	**6,371**	**7,402**

For details of the Company's financial interests and statutory locations refer to Note B.1 of the consolidated financial statements.

A.2 Cash and cash equivalents

As at 31 December 2020, cash and cash equivalents represented by balances on bank accounts totalled EUR 629 million (2019: EUR 587 million). The availability of cash and cash equivalents bears no restrictions.

A.3 Receivables and other assets

The other assets comprise the following:

In millions of EUR, as at 31 December

	2020	2019
Receivables from the group companies	742	699
Other loans and receivables	235	196
Financial assets FVOCI – intercompany equity securities	80	80
Financial assets FVOCI – other equity securities	9	-
Trade receivables	3	-
Other assets	3	-
Total other assets	**1,072**	**975**

All receivables, loans and debt securities presented in the above table are in Stage 1 except for an external loan with its gross amount of EUR 108 million being Stage 3, as the counterparty has been in default with this loan. The Company made a thorough assessment on the recoverability of the loan considering all currently known information, the quality of the personal guarantee collateralising the loan, steps the Company has already made towards the counterparty, considered various scenarios, their probabilities and related financial outcomes weighted by the probabilities. As a result of this thorough assessment no expected credit loss allowance was recognised. However, the Company is aware of the uncertainty inherent to forward looking information and continues to closely monitor this loan. The loan is presented under other loans and receivables.

The following table shows the maturity of receivables and loans:

In millions of EUR, as at 31 December

	Receivables from group companies		Other loans and receivables		Trade receivables	
	2020	2019	2020	2019	2020	2019
Less than one year	493	493	108	196	3	-
More than one year	248	206	126	-	-	-
Total	**741**	**699**	**234**	**196**	**3**	**-**

A.4 Capital and reserves

Capital and reserves comprise the following:

In millions of EUR, as at 31 December

	2020	2019
Issued capital	1	1
Share premium	677	677
Other reserves	7,237	8,119
Of which		
Legal and statutory reserves	164	158
Revaluation of financial assets at FVOCI	86	129
Translation reserve	(1,144)	(540)
Hedging reserve	158	190
(Statutory) revaluation reserve	562	486
Other	183	179
Retained earnings	7,228	7,517
Total shareholders' equity	**7,915**	**8,797**

Issued capital and share premium

The issued capital 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:

	2020	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 Company.

In 2020, share premium representing the excess received by the Company over the par value of its shares amounted to EUR 677 million (2019: EUR 677 million).

Other reserves

Information on legal, revaluation and translation reserves is included in Note E.20 of the consolidated financial statements. Those categories of equity arise on the consolidated level and are non-distributable.

The (statutory) revaluation reserve relates to real estate investments and consists of the cumulative positive (unrealised) revaluations of these investments. The (statutory) revaluation reserve is a non-distributable reserve in accordance with the Dutch Civil Code. As at 31 December 2020 and 2019, the (statutory) revaluation reserve was determined at the property level.

Retained earnings also include a part related to PPF Financial Holdings B.V., which is subject to consolidated prudential requirements based on Regulation No 575/2013 of the European Parliament and of the Council. Hence, this part is distributable only to the extent that this regulated subgroup fulfils the regulatory minimum capital requirements.

The following tables show the roll-forward of shareholders' equity:

In millions of EUR, for the year ended 31 December 2020

	Issued capital	Share premium	Other reserves	Total
Balance as at 1 January	**1**	**677**	**8,119**	**8,797**
Change in revaluation of subsidiaries	-	-	(603)	(603)
Total gains/(losses) recognised directly in equity	**-**	**-**	**(603)**	**(603)**
Dividends to shareholders	-	-	(30)	(30)
Net loss for the period	-	-	(249)	(249)
Balance as at 31 December	**1**	**677**	**7,237**	**7,915**

In millions of EUR, for the year ended 31 December 2019

	Issued capital	Share premium	Other reserves	Total
Balance as at 1 January	**1**	**677**	**6,807**	**7,485**
Change in revaluation of subsidiaries	-	-	437	437
Total gains/(losses) recognised directly in equity	**-**	**-**	**437**	**437**
Dividends to shareholders	-	-	(60)	(60)
Net profit for the period	-	-	935	935
Balance as at 31 December	**1**	**677**	**8,119**	**8,797**

The reconciliation of equity as per these separate financial statements and consolidated financial statements is as follows:

In millions of EUR, as at 31 December

	2020	2019
Individual balance of equity	7,915	8,797
Non-controlling interests:		
Home Credit Group B.V.	155	236
Home Credit US, LLC	-	17
O2 Czech Republic a.s.	100	113
PPF banka a.s.	43	41
PPF IndustryCo B.V. *(formerly PPF Beer Topholdco B.V.)*	33	36
PPF Capital Partners Fund B.V.	7	-
Sotio N.V.	2	1
TMT Hungary B.V.	145	242
TMT Hungary Infra B.V.*	71	-
Velthemia Ltd.	42	53
Other (mainly real estate projects)	4	19
Total consolidated equity	**8,517**	**9,555**

*demerged from TMT Hungary B.V. in July 2020 (refer to Consolidated financial statements B.3.4)

In millions of EUR, for the period ended 31 December

	2020	2019
Group’s net profit/(loss) attributable to owners of the Parent	(249)	935
Net profit/(loss) attributable to non-controlling interests:		
Home Credti Indonesia PT	(3)	-
Home Credit Group B.V.	(49)	38
Home Credit US, LLC	(29)	(18)
O2 Czech Republic a.s.	28	27
PPF banka, a.s.	3	6
PPF IndustryCo B.V. *(formerly PPF Beer Topholdco B.V.)*	-	3
Sotio N.V.	(8)	(1)
Velthemia Ltd.	2	15
Other (mainly real estate projects)	14	-
Group’s net profit/(loss)	**(291)**	**1,005**

A.5 Loans and other liabilities

The category comprises the following:

In millions of EUR, as at 31 December

	2020 Less than one year	2020 More than one year	2019 Less than one year	2019 More than one year
Loans from group companies (including associates)	133	-	138	-
Financial liabilities at FVTPL	-	21	-	27
Other	3	-	2	-
Total	**136**	**21**	**140**	**27**

A.6 Audit and related services

PPF Group N.V. and its subsidiaries incurred expenses for the following services provided by KPMG Accountants N.V. and its affiliates:

In thousands of EUR, as at 31 December

	2020 KPMG Netherlands	2019 KPMG Netherlands	2020 Other KPMG	2019 Other KPMG
Audit of financial statements	1,773	1,279	3,267	3,422
Other audit engagements	736	7,235	689	1,500
Tax advisory	5	6	313	842
Other services	337	200	298	2,595
Total expenses	**2,851**	**8,720**	**4,567**	**8,359**

The fees for audit and the related services are recognised in the period in which the services are performed.

A.7 Financial instruments

The Group is exposed to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- insurance risk

In the notes to the consolidated financial statements information is included about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

These risks, objectives, policies and processes for measuring and managing risk, and the management of capital also apply to the separate financial statements of PPF Group N.V.

Fair value

The fair value of most of the financial instruments stated on the balance sheet, including accounts receivable, securities, cash and cash equivalents, and current liabilities, is close to the carrying amount. For details on fair value principles, refer to Note C.7 of the consolidated financial statements.

A.8 Share in results from participating interests

A profit of EUR 70 million (2019: EUR 37 million) of the share in results from participating interests relate to the group companies.

A.9 Related parties

For details of the related party transactions of the Company, refer to Note E.41 of the consolidated financial statements.

A.10 Transactions with key management personnel

For details of transactions with key management personnel, refer to Note E.41.2 of the consolidated financial statements.

A.11 Subsequent events

For subsequent events, refer to Section G of the consolidated financial statements of PPF Group N.V. for the year ended 31 December 2020.

OTHER INFORMATION

Contents:

Profit appropriation

Profits and distribution are specified in Article 21 of the Company's articles of associations.

The allocation of profits accrued in a financial year shall be determined by the general meeting. The distribution of profits shall be made after the adoption of the annual accounts if permissible under the law, given the contents of the annual accounts. The general meeting may resolve to make interim distributions and/or to make distributions at the expense of any reserve of the Company. Distributions may be made only up to an amount not exceeding distributable equity. If concerning an interim distribution, compliance with the requirement must be evidenced by an interim statement of assets and liabilities as referred to in Section 2:105 Subsection 4, of the Dutch Civil Code.

Offices

The main statutory offices of the Company are in the Netherlands, the Czech Republic, Cyprus, Russia and other Eastern European countries. For details in this respect, please refer to Section B.1 of the consolidated statements.

The Company, including other Dutch subsidiaries, had average number of 13 employees during 2020.

Declaration

Separate financial statements for the year ended 31 December 2020 give a true and fair view of the Company´s financial condition and operations as at and for the year ended 31 December 2020.

Independent auditor's report

To: the General Meeting and the Supervisory Board of PPF Group N.V.

Report on the audit of the accompanying financial statements

Our opinion

We have audited the financial statements 2020 of PPF Group N.V., based in Amsterdam. The financial statements include the consolidated financial statements and the separate financial statements.

In our opinion:

— the accompanying consolidated financial statements give a true and fair view of the financial position of PPF Group N.V. as at 31 December 2020 and of its result and its cash flows for the year 2020 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code; and

— the accompanying separate financial statements give a true and fair view of the financial position of PPF Group N.V. as at 31 December 2020 and of its result for the year 2020 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1 the consolidated statement of financial position as at 31 December 2020;

2 the following consolidated statements for the year 2020: the income statement, and the statements of comprehensive income, changes in equity, and cash flows; and

3 the notes comprising a summary of the significant accounting policies and other explanatory information.

The separate financial statements comprise:

1 the company statement of financial position as at 31 December 2020;

2 the company income statement for the year 2020; and

3 the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of PPF Group N.V. in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of COVID-19 on our audit of the liquidity risk

The ongoing impact of COVID-19 on our audit of the Company's liquidity risk is relevant to the users' understanding of our audit. The Board of Directors is responsible for assessing the possible effects of COVID-19 on the Company's liquidity risk and adequately disclosing the results of its assessment in the consolidated financial statements. We assess and challenge the appropriateness of the Board of Directors's assessment and the adequacy of the related disclosures. The appropriateness of the Board of Directors's assessment depends on reasonableness of estimates relating to 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 disclosed in the going concern paragraph A.9. of the consolidatedfinancial statements and consider the disclosure to be adequate. However, an audit cannot predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to COVID-19.

Report on the other information included in the annual accounts

In addition to the financial statements and our auditor's report thereon, the annual accounts contains other information that consists of:

— the Report of the Board of Directors;

— profit appropriation;

— offices;

— declaration; and

— other information pursuant to Part 9 of Book 2 of the Dutch Civil Code;

Based on the following procedures performed, we conclude that the other information:

— is consistent with the financial statements and does not contain material misstatements; and

— contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

The Board of Directors is responsible for the preparation of the other information, including the the Report of the Board of Directors, in accordance with Part 9 of Book 2 of the Dutch Civil Code, and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Description of the responsibilities for the financial statements

Responsibilities of the Board of Directors and the Supervisory Board for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Board of Directors is responsible for such internal control as the Board of Directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the financial statements, the Board of Directors is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Board of Directors should prepare the financial statements using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Board of Directors should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud during our audit.

Misstatements can arise from fraud or errors and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

— identifying and assessing the risks of material misstatement of the financial statements, whether due to errors or fraud, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

— obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;
- concluding on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company ceasing to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Amstelveen, 14 May 2021

KPMG Accountants N.V.

M.L.M. Kesselaer RA