PPF GROUP N.V.

Annual accounts 2022

Table of contents

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 numerous sectors, including financial services, telecommunications, media, biotechnologies, real estate, mobility, engineering, and e-commerce.

PPF Group's reach spans from Central and Eastern Europe, across Asia, to the USA. As of 31 December 2022, 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.

PPF Group's growth rests on the development of traditional and new industries, the building of modern infrastructure, the digital economy, and linking the best talent and capabilities with global opportunities.

PPF Group's significant investments in innovation and advanced technologies enable its companies to offer highly competitive services that not only deliver value to customers, but often also contribute to the sustainable development of the entire market.

In all countries in which it maintains a presence, PPF Group has long supported education, science, culture, selected social issues, and emergency relief through foundation-led projects and its charity work.

Significant events in 2022 and 2023 (until May 2023)

PPF Group condemned the Russian aggression in Ukraine. Immediately after the war broke out, it provided vital assistance to Ukrainian refugees in the Czech Republic. The Group decided to stop doing business in the Russian market, where it had been a major foreign investor. During 2022, it exited the banking segment (by selling Home Credit and Finance Bank) and the agricultural sector, and also until now gradually divesting itself of assets in the real estate sector.

In its telecommunications operations in Central and South-Eastern Europe, the Group launched its own brand Yettel to replace the original Telenor.

Jiří Šmejc, who used to be a minority shareholder in the Group and also serves on the board of Home Credit, took on the role of PPF Group's CEO.

January 2022

The Group started delisting O2 Czech Republic a.s. ("O2 CR") by withdrawing its shares from trading on the Prague Stock Exchange, a process that was completed by the end of February 2022. O2 CR's main shareholder, PPF Telco B.V., following a decision of its general meeting, bought out other O2 CR shareholders.

February 2022

PPF Group, through its subsidiary CME Media Enterprises, signed an agreement with RTL Group Central & Eastern Europe to acquire 100% of RTL Hrvatska, a commercial broadcaster in Croatia. The execution of the transaction occurred in June 2022.

March 2022

On 1 March 2022, PPF Telecom Group's mobile operators in Bulgaria, Hungary and Serbia, previously doing business under the Telenor name, were rebranded as Yettel.

The Group finalised a deal with GIC Private Limited ("GIC"), the Singapore-based global investment fund, concerning a minority shareholding in CETIN Group, the international telecommunications infrastructure part of the Group´s telecommunication segment. GIC bought a 30% stake in CETIN Group.

PPF Group announced plans to consolidate four technology companies from the Czech Republic and Slovakia under a single strong brand. Electronic toll system operators CzechToll and SkyToll, tech company TollNet, and transport payment solutions provider PaySystem became wholly owned by the newly formed ITIS Holding in which the Group has a 50% share. The execution of the transaction occurred in August 2022.

April 2022

PPF Real Estate entered the Czech residential development market by partnering Karlín Group on a joint project in Prague.

PPF Group signed an agreement to sell its agricultural holding company RAV Agro, thereby completing its exit from the agricultural business in Russia, which it had entered in 2011.

PPF Group, EC Investments, and Rockaway Capital finalise a sale of their 100% stake in Mall Group, the e-shop operator serving the Czech Republic, Slovakia, Hungary, Slovenia, Croatia, and Poland, to the Polish e-commerce platform Allegro.

May 2022

The Group signed an agreement with a group of Russian investors to sell off banking assets – including subsidiaries – in Russia. The deal, finalised in late summer 2022, signalled PPF Group's retreat from the banking market in Russia.

PPF Group and MONETA Money Bank ("MMB") agreed to pull out of the process of merging Air Bank's assets including Czech and Slovak Home Credit with those of MMB. This was prompted by changes in the macroeconomic landscape that had radically altered the dimensions of the originally intended merger.

June 2022

On 15 June 2022, Jiří Šmejc was appointed Chief Executive Officer of PPF Group. He took over the baton from Ladislav Bartoníček, who had held the position since 29 March 2021.

PPF Group's engineering companies within Škoda Group signed an agreement with Volkswagen Group's Škoda Auto, putting an end to all trademark disputes and resolving disagreements surrounding the many years of parallel use of the Škoda brand. Under the terms of the deal, Škoda Group will be able to use the Škoda name and the winged-arrow logo until 2029.

August 2022

The Textbooks for Ukraine project emerged from the CZK 100 million donation (approx. EUR 4 million) for the education of Ukrainian refugees announced by PPF Group through the PPF Foundation and The Kellner Family Foundation a few days after Russia's unprovoked aggression against Ukraine. Under this project, 340 000 textbooks, dictionaries and methodological guides for teaching Czech as a second language were distributed free of charge to schools, other educational institutions and individuals.

September 2022

A court ruling approving the agreement on the distribution of Petr Kellner's estate became final. This saw Petr Kellner's heirs – his wife Renáta and his four children – acquire a majority (direct and indirect) 98.93% stake in PPF Group N.V., which is PPF Group's main holding company. Renáta Kellnerová became PPF Group's majority shareholder with a 59.358% stake. All the new shareholders agreed to be represented by Renáta Kellnerová in dealings with the public.

October 2022

PPF Real Estate launched the first stage of its own development project, which will see the ARC office complex built in the broader downtown area of Bucharest. The planned 10-storey Class A office building is scheduled for completion in 2025.

November 2022

Home Credit agreed to dispose of its assets in the Philippines and Indonesia in a multi-deal sale totalling approximately EUR 615 million. The buyer is a consortium of subsidiaries of Japan's Mitsubishi UFJ Financial Group – MUFG Bank, Thailand's Krungsri Bank, and the Indonesian consumer lender Adira. The execution of the transaction is subject to several regulatory approvals.

January 2023

At the major international TMT Finance conference in London, CETIN Group won an award in the Digital Infrastructure Deal of the Year category (for GIC's acquisition of a 30% stake in CETIN).

PPF Group signed an agreement to acquire Robertson & Caine (R&C), the South African maker of the Leopard catamaran. This deal signals a further expansion of the Group's specialist division dedicated to the global business of building and chartering pleasure craft and delivering related services. The transaction is subject to regulatory approvals.

February 2023

The Czech and Slovak arms of Home Credit became wholly owned subsidiaries of Air Bank.

PPF Group, through the PPF Foundation, made a financial donation to Turkey after a devastating earthquake struck the country. The money was sent to the Turkish branch of the Red Crescent. The Group is a major Czech investor in Turkey, where it co-owns TEMSA, a long-established coach manufacturer based in the city of Adana, which was also rocked by tremors.

April 2023

CETIN a.s., a subsidiary of PPF Telecom Group, has agreed to acquire Nej.cz, a Czech internet service provider (ISP).

Nej.cz's infrastructure passes nearly half a million households, mostly with optical fibre, and connects almost a quarter of a million of active subscribers. This will complement CETIN's own infrastructure with 4.2 million households passed, and more than a million households connected. The closing of the transaction is pending approval by the Czech Competition Authority.

May 2023

Since the second half of 2022, PPF Group started to acquire publicly traded shares of ProSiebenSat.1 Media SE (ProSieben). In the beginning of May 2023, the Group controlled approx. a 13.1% stake in ProSieben directly and through financial instruments.

Key financial highlights

As at 31 December 2022, the total consolidated balance sheet amounted to EUR 39,883 million (2021: EUR 42,186 million). The Group's key driver behind the asset decrease is mainly attributable to the disposal of Russian banking operations (EUR 4 billion) and real estate projects (EUR 0.8 billion). The decrease was partly mitigated by the growth of PPF banka's assets (EUR 2.3 billion).

The consolidated net profit of the Group for 2022 reached EUR 140 million (2021: EUR 274 million). Telecommunications, media and PPF banka representing corporate banking were the core segments contributing significantly higher profits compared to 2021. The Group also successfully sold its minority stake in Mall Group resulting in one-off profit of EUR 273 million. On the other hand, impacted by the Ukrainian conflict, Home Credit and real estate suffered a significant loss as the result of the Group decision to leave the Russian market.

At the end of 2022, the consolidated equity of PPF Group N.V. amounted to EUR 9,147 million (2021: EUR 9,128 million).

Consolidated financial highlights, in millions of EUR

	2022	2021
Total operating income*	5,181	5,268
Net profit	140	274
Total assets	39,883	42,186
Total equity	9,147	9,128

*including discontinued operations

Workforce

The rounded average number of employees during 2022 was 61,000 (2021: 78,000).

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 promote gender diversity on the board of directors, but also on its other corporate and management bodies, PPF Group intends to pay close attention to gender diversity in the process of recruiting and appointing future members of the board of directors, the supervisory board and other management layers. PPF Group will, in accordance with Article 2:166, Section 2 of the Dutch Civil Code, set ambitious and appropriate targets with a view to having the ratio of men to women in the board of directors, the supervisory board and designated higher management layers balanced. PPF Group will retain an active and open attitude as regards selecting female candidates.

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. As of 31 December 2022, the members of the supervisory board were Mr Kamil Ziegler (designated as the chairman), Mrs Zuzana Prokopcová and Mr Lubomír Král. 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, one Group entity - CETIN Finance B.V. as a public interest entity is not obliged to establish its own audit committee 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

PPF Group restructured its consumer finance business represented by Home Credit, Air Bank and PPF banka under PPF Financial Holdings B.V., a new holding entity, in 2015. PPF Financial Holdings B.V. (“the Subgroup”) was a financial holding company and as such became subject to the consolidated prudential requirements under Regulation (EU) 575/2013 of the European Parliament and of the Council (the “CRR”) and Directive 2013/36/EU of the European Parliament and of the Council (the “CRD”) as transposed in the Czech Republic. The Czech National Bank acted as the consolidating supervisor of the Group. PPF banka was appointed as the responsible reporting entity for the Group.

Pursuant to the amendments to the CRD (amended by Directive (EU) 2019/878 of the European Parliament and of the Council) and the CRR (amended by Regulation (EU) 2019/876 of the European Parliament and of the Council) as of 20 May 2019, PPF Financial Holdings B.V. was expected to apply for a new special authorisation by the competent authorities in the Czech Republic and, simultaneously, in the Netherlands. To simplify the authorisation process, the shareholders of the company decided to conduct a cross-border conversion. The conversion was carried out as a conversion without the liquidation of PPF Financial Holdings B.V. and by continuing its existence and legal personality as a Czech Republic governed joint stock company, PPF Financial Holdings a.s., a joint stock company under Czech Law that occurred on 1 June 2021.

Due to a delayed transposition of the CRD into the Czech legislation in time as required by the EU law, the authorisation process for financial holdings became effective in the Czech Republic only in October 2021. PPF Financial Holdings submitted its formal application to the Czech National Bank in November 2021. The application was finally approved in March 2022.

The Subgroup was 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 was required to maintain a capital conservation buffer amounting to 2.5% of its risk-weighted assets and an institution-specific countercyclical capital buffer that amounted to 0.615% of its risk-weighted assets as of 31 December 2022.

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 of 31 December 2022, the Group held financial instruments of EUR 15,364 million (excluding cash and cash equivalents). Of this amount, financial assets at fair value through profit or loss amounted to EUR 1,720 million; financial assets at fair value through other comprehensive income came to EUR 1,690 million, financial assets at amortised cost to EUR 2,182 million, and loans and receivables to EUR 9,772 million. Financial liabilities held by the Group include, in particular, liabilities due to non-banks totalling EUR 13,207 million, liabilities due to banks of EUR 6,552 million, debt securities issued amounting to EUR 3,992 million, subordinated liabilities of EUR 44 million and financial liabilities at fair value through profit or loss of EUR 1,300 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.

The board of directors is responsible for maintaining proper accounting records, for safeguarding assets and for taking reasonable steps to prevent and detect fraud and other irregularities. It is responsible for selecting suitable accounting policies and applying them on a consistent basis, making judgements and estimates that are prudent and reasonable. It is also responsible for establishing and maintaining internal procedures which ensure that all major financial information is known to the board of directors, so that the timeliness, completeness and correctness of the external financial reporting are assured. The board of directors oversees compliance with the relevant laws and regulations. To reduce company's exposure to legal and compliance risks, management implemented, amongst others, the following: compliance programs, whistleblowing procedures, incident register, conducting risk assessments, developing appropriate policies and procedures, implementing internal controls, monitoring and auditing process, responding to non-compliance and training and education.

Description of core business segments and their development in 2022

PPF Financial Holdings – Financial services

Consolidated financial highlights, in millions of EUR

	2022	2021
PPF Group's share	100%	100%
Total operating income*	1,949	2,310
Net loss	(1,464)	(258)
Total assets	22,871	25,454
Total equity	1,918	2,712

*including discontinued operations

PPF Group's core business includes financial services and banking. Its focus on customer needs, investment in innovation and digital technology, and its ever-evolving range of modern financial services help to drive the growth of PPF Financial Holdings' brands, which include PPF banka, Home Credit, Air Bank, Zonky, Mobi Banka and ClearBank.

PPF Financial Holdings a.s. is subject to consolidated prudential requirements under Regulation (EU) No 575/2013 of the European Parliament and of the Council and to consolidated supervision by the Czech National Bank.

In March 2022, the Czech National Bank approved PPF Financial Holdings a.s.'s compliance with statutory requirements imposed on financial holding companies under the September 2021 amendment to the Czech Banking Act. In November 2022, the Czech National Bank formally designated PPF Financial Holdings an "other systemically important institution".

There were significant changes in the financing and structure of the debt of PPF Financial Holdings a.s. over the course of 2022. The company was granted regulatory approval and called its CZK 4 billion Tier 2 subordinated bond issue (approx. EUR 165 million) for early redemption in December 2022.

In May 2022, PPF Financial Holdings took control of Home Credit Bank (in Kazakhstan) as part of the divestment of Home Credit and Finance Bank (in the Russian Federation). The shareholding in MONETA Money Bank, a.s., acquired in 2021 and held via Tanemo a.s., remained unchanged in 2022. This stake is not part of PPF Financial Holdings a.s.

PPF banka

Individual financial highlights, in millions of EUR

	2022	2021
PPF Group's share	92.96%	92.96%
Operating income	219	133
Net profit	111	68
Total assets	11,972	9,519
Total equity	719	665

PPF banka is a modern bank for corporate, public and private sector customers that specialises in trading on financial and capital markets and providing services in structured (i.e. project, export, acquisition, leverage, and real estate) financing, including mergers and acquisitions. PPF banka is the hub of PPF Group's financial activities, carrying out international payment transactions, providing financing, managing financial assets, and trading on capital markets for the Group's companies.

The bank's services are built on professional expertise and unique solutions with an emphasis on added value. For customers, it is a stable, professional, and reliable partner in operational and investment financing in numerous areas, including trade, industrial production, energy, renewable sources, agriculture and forestry, services, including IT and e-commerce, and other areas.

PPF banka also targets the financing of commercial and residential real estate and development projects. It has long-standing partnerships with Czech regions and statutory cities, contributing to their growth in the energy, circular economy and education sectors. One important aspect of the portfolio is the services offered to private clients, who benefit from a personal approach to the handling of their financial needs.

In 2022, the bank focused primarily on developing services for existing customers and supporting their business activities. In keeping with its strategy, it invested in digitalisation, cybersecurity, and more efficient service provision, including the upgrading of its mobile app and internet banking. Despite the tough climate, PPF banka continued to support and finance customers in sectors affected by the energy crisis.

The bank reported a net profit of EUR 111 million in 2022. This is more than EUR 40 million more than in the previous year. The balance sheet growth in 2022 is concentrated mainly in reverse repo operations with the central bank.

Home Credit Group

Consolidated financial highlights, in millions of EUR

	2022	2021
PPF Group's effective share	91.12%	91.12%
Operating income*	1,579	2,146
Net loss	(1,612)	(303)
Total assets	10,069	16,262
Total equity	600	1,816

*including discontinued operations

Home Credit Group B.V. ("HC Group" or "Home Credit") is a leading consumer finance provider focusing on emerging markets. Home Credit's mission is to provide consumer finance responsibly, especially to people with little or no credit history, via a multichannel online and offline distribution model that emphasises digital services and tools.

Home Credit Group B.V. is a parent company organised into several regional groupings. It holds equity interests in consumer finance companies in seven countries. Over its decades of operations, the company has developed a diverse range of innovative and affordable financial services and solutions that are tailored to the cultural, social, and economic nuances of each of the global markets where it maintains a presence.

The HC Group operates in countries with a combined population of around 3.2 billion people, where the growth potential is high, GDP growth is above average, and the consumer finance penetration rate is low.

Towards the end of 2022, Home Credit companies served approximately 10 million active customers across all their markets and were among the largest and best-ranked brands in point-of-sale financing.

In a constantly evolving digital world, the group's mission is to provide highly competitive services while maintaining an exceptional level of agility and innovation. Advanced technology and easy-to-use mobile apps offer inclusive access to credit services and provide customers who are unable or unwilling to use standard banking tools with their first taste of credit and financial products. Large amounts of data are processed by digital systems, providing the organisation with the effective predictive tools it requires to make responsible lending decisions.

Home Credit offers three categories of unsecured consumer finance products on its markets: non-bank loans (non-cash credit to finance the purchase of durable goods), multi-purpose or cash loans, and revolving credit products. In addition to loans, Home Credit offers customers complementary products and services, such as reinsurance and third-party insurance distribution. The company's product strategy aims to sustain high customer loyalty by offering services that respond well to the ever-changing needs and life situations people face across all age groups.

Globally, the company continued accelerating the roll-out of its business-wide digitalisation strategy. This included the tighter integration of mobile apps to make for a better customer experience and interaction in loan repayment, and to facilitate the purchase of consumer goods through online retail partners. The uptake of these apps demonstrates the group's digital transformation speed and depth. Mobile devices now account for over 90% of the company's business, and Home Credit's apps have over 100 million registered users worldwide.

The HC Group's mission as a responsible operator continues, with its Czech Republic operations ranking among the top three highest in the country's Responsible Lending Index. Home Credit continues to focus on developing new revenue streams, for example, in insurance distribution and re-seller business.

In 2022, the HC group focused on executing its strategy and recorded profit in all countries but China where severe lockdowns were still imposed for the most part of the year. Home Credit's core markets in CEE and SEA experienced significant volume growth despite the lingering effects of the global COVID-19 pandemic. The group financial performance in 2022 is heavily impacted by corporate key strategic transactions that took place in 2022.

As a result of the ongoing conflict in Ukraine and broader European sanctions being imposed on Russia, PPF and Home Credit announced the closing of the sale of their 100% ownership stake in Russia's Home Credit & Finance Bank (HCFB), triggering a significant loss upon disposal. As a part of the transaction the HC Group sold its 100% stake in Home Credit Bank (in Kazakhstan) that is now under control of PPF Financial Holdings a.s.

It was also announced that an agreement to sell Home Credit's Indonesian and Philippines operations, which are accounted as held for sale, to a consortium had been signed. The consortium is composed of leading Japanese financial institution, Mitsubishi UFJ Financial Group and affiliates led by Krungsri Bank, a renowned Thai institution. Subject to regulatory approvals, both transactions are scheduled to close in 2023.

Overall total assets decreased by 38% pursuant to the sale of the CIS assets (Russia and Kazakhstan) but growing on a constant perimeter excluding CIS and China.

Air Bank (part of Home Credit)

Air Bank is a retail and hyper-digital bank that was founded 11 years ago to compete with conventional banks by offering straightforward, customer-centric, and innovative services. Air Bank's goal is to become the most "go to" retail bank in the market. It is the fastest growing neo-bank in the Czech Republic.

Air Bank routinely introduces novel services and solutions to the Czech market, where it leads the way in focusing on the needs of financial services customers. This approach has seen it continue to attract new clients while increasing its volume of lending and its income from regular retail banking services. At the end of 2022, Air Bank had more than a million customers served by 1040 employees at 32 branches across the Czech Republic.

In 2022, Air Bank won multiple awards not only for its services and marketing activities, but also for the way it treats its customers. The My Air mobile app, the Air Bank current account and the Air Bank loan all scooped awards in the Golden Crown (Zlatá koruna) competition. In 2022, Air Bank was also named Customer Bank of the Year and retained top spot as the most attractive employer in the banking and insurance industry for the fourth time.

Air Bank is steadily advancing the digitalisation of its financial services. By the end of 2022, more than 782,000 people were using Air Bank's mobile banking and 82% of new accounts were opened online. In the case of loans, 91% of all applications were submitted online.

The bank introduced new services during 2022. It significantly broadened its line of mortgage loans, which are now available for virtually all housing-related purposes. Air Bank introduced a new solution for the accounts of children aged 8 and above to be managed from their parents' mobile banking accounts. At the end of the year, Air Bank announced that it would be partnering with three other banks to share ATMs in the Czech Republic. Zonky, the P2P lending platform that has formally been part of Air Bank since December 2021, continues to offer services branded under its own name.

Since its inception, Air Bank has been committed to socially responsible business with the aim of increasing transparency in the provision of financial services and cultivating the consumer lending market. Both Air Bank and Zonky loans regularly rank at the top of the People in Need Responsible Lending Index. In 2022, Air Bank once again signed up to the idea of the Summer of Grace II with its own event to help clients who faced enforcement action for defaulting on their debts.

In 2022, the bank also responded to the situation in Ukraine. It allocated direct financial aid, organised collections of supplies and gave staff paid time off to volunteer. To make it easier for Ukrainian citizens to integrate into everyday life in the Czech Republic, the bank simplified the process of opening a current account for them, translated contracts and important documents into Ukrainian, and facilitated communication with customers through interpreters at branches and the customer service centre. The bank also set up pop-up mobile branches in three refugee centres.

In May 2022, PPF Group, by agreement with MONETA Money Bank, pulled out of the planned merger of Air Bank and Home Credit with MONETA. At the end of 2022, Air Bank announced that the Czech and Slovak arms of Home Credit would become its subsidiaries the year ahead. This is a formal switch in order to better leverage synergies, particularly in operations. These originally affiliated companies will continue to operate as separate companies with their own brands and separate management. The transfer of the Czech and Slovak Home Credits was finalised in February 2023.

Mobi Banka

Belgrade-based Mobi Banka benefits from business synergies with the telecommunications services of another PPF-owned company in Serbia, Yettel. Strongly expanding trading volumes, strict financial discipline and cost management saw the bank make an operating profit in 2022 for the first time since its inception.

By the end of 2022, Mobi Banka was providing 721,000 clients with a wide range of personal retail financial services. As at 31 December 2022, the bank had assets under management of EUR 231 million.

ClearBank

ClearBank is a fast-growing UK-based clearing bank that operates entirely in a cloud-based environment.

Since its inception in 2017, ClearBank has been providing financial institutions with banking and payment infrastructure built on a cloud-native, intelligent and robust technology solution that offers secure accounts and real-time clearing of payments. Swift processing and next-generation financial solutions are integral to ClearBank's business model. Transactions carried out in 2022 came to EUR 168 billion. As at 31 December 2022, PPF Group held a 35.27% stake in ClearBank through a newly established holding entity CB Growth Holdings Limited.

ClearBank became profitable in 2022, primarily on the back of rising transaction volumes, new clients and interest income. The successful year was also bolstered by the offering of payments in foreign currencies. ClearBank now serves more than 200 financial institutions, with a total of 17.5 million bank accounts and balances aggregating EUR 3.6 billion.

PPF Telecom Group - Telecommunications

Consolidated financial highlights, in millions of EUR

	2022	2021
PPF Group's share	100%	100%
Total revenues	3,506	3,336
EBITDA	1,617	1,569
Net profit	651	530
Total assets	7,874	7,739
Total equity	994	1,357

PPF Group's telecommunications division is a leading provider of telecommunications services in Central and South-eastern Europe. PPF Telecom Group ("the Telco Group") is committed to offering cutting-edge solutions to meet the diverse needs of its customer base. Through its innovative operational model and strategic investments in advanced technologies, PPF Telecom Group aims to drive digital transformation and improve connectivity throughout the region.

The Telco Group companies operating in the Czech Republic, Slovakia, Hungary, Bulgaria and Serbia are split into two segments: end-user services and infrastructure. The Group has pioneered this approach since 2015, when it separated infrastructure ownership and operation from commercial services in the Czech Republic. This innovative operating model brings substantial benefits to both arms of the group.

CETIN branches in the Czech Republic, Hungary, Bulgaria and Serbia provide telecommunications infrastructure services on a wholesale basis on equal terms to all operators on the market. Through its investments in advanced technologies and services, CETIN fosters digital transformation in all four countries. In the Czech Republic, CETIN owns and operates the largest fixed network in the country, with nationwide coverage. CETIN branches in the Czech Republic and Hungary operate radio access networks for mobile services under network sharing agreements, which improve their mobile network coverage and capacity and generates energy savings. In Slovakia, infrastructure assets and operations were spun off into O2 Networks in 2022 to align with the operating model of other PPF Telecom Group country operations.

Through the O2 and Yettel brands, the group's commercial arm serves end-users in the consumer, corporate and public sectors. Mobile voice, data and text messaging, fixed broadband, multi-platform internet television, fixed voice lines, and corporate data networks are among their offerings.

PPF Telecom Group operates in stable markets with positive trends supporting a sustainable business growth. They are characterised by the rational competitive environment that is required for healthy ARPU and steady market share. At the end of 2022, 18 million customers relied on the Telco Group's mobile services, and more than a million customers used the group's fixed broadband. In the Czech Republic, O2 is also a leading provider of Pay TV and traditional fixed-line voice services.

The Telco Group's customer base is growing and improving in all the countries where it operates, thanks mainly to its long-term strategy structured around the operation of top-grade telecommunications networks and delivery of a superior customer experience. In 2022, PPF Telecom Group reported solid growth in revenues and EBITDA, achieved with the contributions of all its brands and companies. The group's companies generate predictable cash flows resilient to fluctuations in business cycles and adverse global influences, including the economic consequences of the COVID-19 pandemic and the war in Ukraine in 2022.

At the end of 2022, PPF Telecom Group operated state-of-the-art 5G mobile networks in the majority of its markets. In the year ahead, 5G services will power the next wave of innovation and growth. The rapid rollout of 5G networks is accelerated by sharing the expertise and resources in CETIN Group's infrastructure division.

Yettel

The Yettel mobile operators provide telecommunications services to customers in Hungary, Bulgaria and Serbia. Yettel's vision is to drive new technologies and offer innovative and simple customised solutions in mobile and fixed services.

Yettel mobile operators maintain leading positions across South-eastern Europe in terms of overall brand and network perception. By the end of 2022, they were serving more than 10 million customers. Despite competition and inflation-driven challenges, all Yettel operators increased revenues and profits in 2022 while successfully transitioning to the new brand.

For several years in a row, operators in Bulgaria and Serbia have been awarded the prestigious Best in Test certificate in the independent mobile infrastructure quality testing conducted by the international Umlaut organisation. In Hungary, Yettel is the holder of the Fastest in Test award, based on Speedtest by Ookla. Such remarkable results place Yettel's mobile networks among the best in Europe.

Yettel Hungary

Yettel Hungary has 3.6 million customers and is the country's second largest operator in terms of revenue and market's pioneer in mobile broadband technology. The company's mobile network, covering 100% of the population with 4G connectivity, is being completely overhauled to provide 5G services with data capacity two or three times that of the previous level. In 2022, the company was the first in Hungary to launch a home internet service for residential customers based on 5G technology and made eSIM available to all its customers.

According to the Randstad Employer Brand Research 2022, Yettel Hungary was named the most appealing employer in the telecommunications sector.

Yettel Bulgaria

Yettel Bulgaria is the largest and most profitable mobile telecommunications provider in Bulgaria when measured in terms of total revenue. It successfully competes with two other full-scale telco providers while serving 3.4 million customers. This number represents a third of the mobile telecommunications market in Bulgaria. In 2022, Yettel remained at the top of the Bulgarian mobile market, covering almost 60% of the population with a 5G network and keeping its customer base stable.

Yettel Serbia

In terms of revenue, Yettel Serbia is the country's most successful mobile telecommunications provider. The company is one of just two in the market that can offer quad play services: fixed, mobile, home internet and Pay TV. After just one year on the market, its Hipernet service reached more than 40,000 household customers Yettel has a loyal customer base of 3 million users in Serbia. In 2022, Yettel Serbia has the first 100% green mobile network in the country.

O2 Czech Republic

O2 Czech Republic ("O2 CR") is the largest telecommunications operator in the Czech Republic. It provides voice, internet and data services to a full range of customers: households, SMEs, large corporations, and government. With its O2 TV service, it is the largest operator of internet television broadcasting in the country.

Operating in a highly competitive, highly saturated telecommunications market, O2 Czech Republic excels by combining the most affordable fixed internet, a superior mobile network, and attractive television content. While mobile telecommunications services are its main revenue stream, O2 CR's fixed internet covers 99% of the Czech Republic's inhabited territory, which makes it the largest internet provider for both businesses and households. O2 Czech Republic is one of the biggest players in hosting, cloud services, managed services, and ICT.

O2 Czech Republic also focuses on developing and offering more unconventional telecommunications services, such as cybersecurity services, along with financial services such as device insurance and mobile travel insurance. Virtual operators also offer their services in the O2 CR mobile network. In response to changing trends and market demands, O2 CR has innovated data plans with unlimited data in the 5G network.

O2 Spolu ("O2 Together") family service packages, combining telecommunications services with O2 TV, are the best offering on the market that customers can custom build themselves. With O2 TV, the company has consolidated its position as the most popular IPTV service in the Czech Republic. At the end of 2022, the number of active subscribers came to some 668,000, including customers using O2 TV Sport Pack online and O2 TV HBO and Sport Pack services.

O2 CR's long-term focus on technological development and innovation has resulted, among other things, in the continuous expansion of 5G network coverage, which Czech Technical University's research shows is the fastest in the Czech Republic. O2 CR enjoys a big lead over its competitors in terms of measured speeds because it is building its 5G network from the ground up on entirely new technologies, rather than simply upgrading older transmitters. In 2022, the company launched the new 5G Box, a modem connecting home customers to the fastest mobile internet connection in the Czech Republic.

Other areas that O2 CR is focusing on include the development of artificial intelligence and big data, both of which are handled by the Dataclair.ai Artificial Intelligence Centre at O2. O2 is also active in smart city infrastructure and autonomous mobility of the future.

O2 Slovakia

O2 Slovakia entered the Slovak market as the country's third operator in February 2007. In 2022, it served 2.3 million customers and expanded its 5G network to make it available to 37% of the population by the end of the year. The expansion further establishes the company as a frontrunner in the 5G industry.

Last autumn, O2 Slovakia also entered the fibre-optic internet segment, providing it to users via the network of its partners. Corporate customers are catered to by O2 Business Services, a 100% subsidiary of O2 Slovakia, which offers a portfolio of fixed and mobile telecommunications services and ICT solutions.

In June 2022, O2 Networks was incorporated as a result of the spin-off of the active and passive mobile infrastructure assets from O2 Slovakia. O2 Networks provides mobile network services on a wholesale basis to O2 Slovakia as its principal customer. Separating retail and infrastructure parts is consistent with the Telco Group structure in other current group´s telecommunication markets.

CETIN Group

CETIN is a leading wholesale provider of telecommunications infrastructure services for fixed and mobile networks in Central and South-eastern Europe. By investing in advanced technologies and cutting-edge services, it is driving digital transformation in all four countries where it operates.

CETIN was established in the Czech Republic in 2015, when the infrastructure arm of the operator O2 was successfully spun off into a separate company. In 2020, the infrastructure was hived off from the commercial activities of Telenor operators in Hungary, Bulgaria, and Serbia in the same way, and the regional CETIN Group was established. In October 2021, PPF Group and GIC, an international investment and infrastructure fund based in Singapore, struck an agreement that saw GIC acquire a 30% stake in CETIN Group.

CETIN Group’s vast networks and infrastructure are constantly under technical supervision to maintain the reliability and stability of its services. These include high-end voice and data services, including television broadcasting services, IT services and cybersecurity for clients in the Czech Republic, Hungary, Bulgaria and Serbia, as well as for other international wholesale customers.

CETIN Czech Republic

CETIN’s mission in the Czech Republic is to build, operate and constantly innovate a reliable, secure and fast telecommunications infrastructure, which is essential for the further digitalisation and support of the competitiveness of the Czech economy.

CETIN owns and runs the largest electronic communications network in the Czech Republic and is a wholesale provider of telecommunications services. It offers its services, always under the same conditions, to all telecommunications operators and internet access providers who supply services to end customers via the CETIN infrastructure.

Besides providing mobile and fixed network infrastructure for households and businesses (network access services, xDSL and fibre-optic connectivity, IPTV, and voice services), CETIN offers data services for corporate networks and data centre leasing. CETIN also offers international voice services for domestic providers and more than 200 telecommunications operators worldwide.

As the manager of the largest communication infrastructure in the Czech Republic, CETIN invests billions of crowns annually in its development. In 2022, the company continued to build FTTH fibre-optic connections, which accelerated the average speed available in the network to over 200 Mbps.

Last year, CETIN continued to roll out 5G mobile technology across the Czech Republic. The complete replacement of technologies used in the mobile access network raised the overall capacity of the network and thus the quality of services provided. CETIN uses Ericsson technologies to build its fifth-generation network as they guarantee a high standard of cybersecurity in the company’s infrastructure.

CETIN Hungary

The company upgraded more than half of its mobile infrastructure in Hungary in 2022. It also fitted over 24% of its upgraded transmitters with the latest type of high-capacity 5G (C-band) technology.

The company places a strong emphasis on customer experience, the delivery of high-quality network infrastructure and the development of new business models, such as the largest distributed antenna system (DAS) for industrial use in Hungary. The company supplies services to its key customer, the operator Yettel, and other clients.

CETIN Bulgaria

In 2022, CETIN's Bulgarian arm continued to implement several pivotal projects. It started deploying 5G C-band technology in its access network in the first quarter of 2021 and, by the second half of 2022, approximately 30% of the transmitters in the network had been fitted with this technology. CETIN offered its customers in Bulgaria fixed wireless access (FWA), delivering stable and fast connectivity to homes and offices, as an alternative to fixed connections.

The company successfully completed the integration of new acquisition Sofia Communication into its structures. This enabled CETIN to expand its fibre-optic network in Sofia, where, with local partners, it offers high-speed connectivity to corporate customers and other operators.

CETIN Serbia

In 2022, CETIN's Serbian operation won a twin tendering process to supply three pairs of dark fibre optics between the Serbian-Croatian and Serbian-Bulgarian borders, together with associated services (colocation, telehousing, monitoring and maintenance). This secured the company significant revenues for the next 15 years.

In Serbia, CETIN has been covering its electricity consumption entirely from renewable sources since October 2022, thereby taking another significant step towards sustainability.

CME Media Enterprises - Media

Consolidated financial highlights, in millions of EUR

	2022	2021
PPF Group's share	100%	100%
Total revenues	777	682
Operating profit	207	196
Net profit	136	120
Total assets	2,275	2,143
Total equity	1,094	957

*since acquisition in October 2020

CME is a media and entertainment company that owns major television stations in six Central and Eastern European markets - the Czech Republic, Romania, Bulgaria, Slovakia, Slovenia, and Croatia. CME broadcasts 43 TV channels, reaches 49 million viewers and operates a burgeoning streaming service, VOYO. The company invests heavily in in-house production, content and distribution platforms to maintain its market-leading position.

CME, acquired by PPF Group in 2020, continued to expand last year. In June 2022, it acquired another television station, RTL Croatia, from RTL Group Central & Eastern Europe GmbH. CME has been steadily expanding its direct distribution services to B2C subscription customers while maintaining its traditional business model, where revenues are primarily derived from the provision of advertising space and distribution fees.

CME's investment in creating compelling entertainment content for local markets and the company's overall digital transformation are a response to consumers' global shift away from primarily watching linear television to a subscription video-on-demand (SVOD) model.

In Europe, as elsewhere, SVOD has grown at an unprecedented rate, driven by consumers who have rapidly embraced technological change. In 2022, CME continued to scale up the Voyo platform in Slovenia, Romania, the Czech Republic and Slovakia, where it experienced strong growth. At the end of the year, VOYO had 450,000 subscribers in the Czech Republic and Slovakia and 700,000 subscribers across all of its markets. VOYO is the number-one local SVOD provider across CME's markets and remains among the top three players in most of its markets.

One of the principles on which CME has built its sustained growth is its large-scale investment in local output, which boosts the popularity of its television channels with local audiences. In 2022, CME had 87 projects in development, pre-production or production. This is a significant rise from 2018, when there were just 18 projects in CME's content/production pipeline in the Czech Republic and Slovakia.

News remains at the core of CME's programming strategy across all markets as it generates significant share and ratings. CME's news teams adhere to the highest standards of journalistic ethics. They are guided by CME's editorial guidelines, which promote impartiality, fairness, and independence.

Sports channels are another vital ingredient of live television. In 2022, CME Group acquired in the Czech Republic partial rights to the 2022 FIFA World Cup, as well as rights for the UEFA Champions League and the UEFA Europa League in Bulgaria, the Czech Republic and Slovakia, among others. CME has invested in the construction of new sports studios as it considers live sports broadcasts to be a catalyst for further growth.

Beyond its commercial activities, in 2022 CME established the CME Content Academy, an educational platform with a two-year multidisciplinary programme designed to inspire and train young talent to become tomorrow's entertainment industry leaders. In 2022, CME developed a new ESG strategy ready for internal deployment in early 2023. It focuses on responsible content, sustainable production, affected communities, employee engagement and transparent business practices.

PPF Real Estate Holding - Real estate

Consolidated financial highlights, in millions of EUR

	2022	2021
PPF Group's share	100%	100%
Net profit/(loss)	(293)	101
Total assets	2,411	2,993
Total equity	956	971

PPF Real Estate Holding manages real estate assets worth almost EUR 1.8 billion. This globally recognised developer and investor owns properties in Europe and the United States and manages its remaining assets in Russia. It is dedicated to managing and growing a portfolio of properties and projects in prominent locations with value-add potential and prospecting for new real estate investment opportunities.

PPF Real Estate Holding operates in the Czech Republic, Germany, the Netherlands, Poland, Romania, Russia, Ukraine, the UK, and the US. In line with PPF Group policy, the company is gradually divesting its Russian assets while actively evaluating business potential in all other countries where it is present, as well as in new markets overseas and in Central and Eastern Europe. In addition to acquisitions, PPF Real Estate is committed to long-term assets and portfolio stabilisation in all its markets. As a real estate developer, the company seeks to meet the needs of sustainable planning and development, use energy-saving technologies, and create a healthy, modern environment for its properties and public space users.

The company expanded its footprint in the US market by teaming up with a local joint-venture partner on a 308-unit multifamily development project in Orlando, Florida. PPF Real Estate acquired an office development project in the Romanian capital of Bucharest, where it plans to build 29,000 m^2 of class-A office space in accordance with the latest ESG trends. The holding also embarked on two residential development projects in Prague as part of a joint-venture partnership with a well-established local developer. In the Netherlands, the company's real estate investments comprise seven office buildings and a shopping centre with a total lettable area of over 150,000 m^2 and since May 2022 also a hotel operation under Marriott brand in Rotterdam. In the United Kingdom, PPF Real Estate is working on a major office building refurbishment in the City of London. It also owns and rents three modernised Victorian houses in London.

In 2022, the company continued to consolidate its portfolio. In keeping with PPF Group policy, PPF Real Estate sold several projects in Russia, including South Gate Industrial Park, a large logistics estate and a joint development with Radius Group in the Moscow region, and the large-scale Comcity project with over 115 000 m^2 of retail and office space in the same region. The remaining assets of PPF Real Estate in Russia at the beginning of 2023 included Metropolis office buildings in Moscow (co-owned with Hines), and Nevsky Centre shopping complex in Saint Petersburg (finally disposed in May 2023). The sale of the Russian projects negatively affected the financial performance resulting in a significant net loss and an asset decrease.

Škoda Group – Mechanical engineering

Consolidated financial highlights of Škoda a.s., in millions of EUR

	2022	2021
PPF Group's share	85.7%	85.7%
Total revenues	775	614
EBITDA	237	45
Net profit	132	56
Total assets	1,428	1,118

Škoda Group, a leading international provider of public transport solutions, consolidates its market position through innovation, digitalisation and the development of an extensive portfolio of vehicles and services. The group's continued growth in order volumes has facilitated significant investment in production capacity and jobs.

Škoda develops a full range of public transport solutions for trains, trams, the metro, trolleybuses, and various types of buses, accompanied by comprehensive servicing and maintenance. The group is moving increasingly towards sustainable transport of the future and solutions for the data-connected transport infrastructure of future smart cities using 5G connectivity. The group has a digital division dedicated to the development and innovation of digital, control, and diagnostic systems for vehicles. Škoda Group's vehicles are environmentally friendly, with almost all of them purely electric and emission-free.

In 2022, Škoda Group embarked on a transformation process aimed at bolstering its position on international markets. This transformation included a complete overhaul of the group's organisational structure and the splitting of its lines of business into regions and operating units, resulting in four geographical regions (CZ/SK, West, Central East, and North), and two units (Components & Bus Mobility and Digital). The group's key countries of operation are the Czech Republic, Finland, Germany, the Baltics, Poland, Slovakia, and newly Italy, where Škoda Group established another subsidiary in Florence last year.

In 2022, the Škoda Group had to grapple particularly with the implications of Russia's war in Ukraine, which considerably affected projects in the Baltics. As a result, supply chains, which had already suffered from the COVID-19 pandemic, were once again constrained. Even in the face of such adversity, the group increased production, made organisational changes to increase efficiency and secured further foreign and domestic contracts.

In 2022, the group posted record revenues of EUR 775 million, EBITDA of EUR 237 million, and a net profit of EUR 132 million. As production increased, the number of employees grew again, rising by 21% to almost 7,500 (9,000 including Temsa). During the year, the order backlog also swelled to the current EUR 3.5 billion, representing full capacity until around 2026. In 2022, Škoda Group invested EUR 60 million in increasing production capacity and EUR 33 million in research and development.

A major event for Škoda Group last year was the introduction of an anti-collision system for rolling stock, which passed a series of tests. Another milestone was the delivery of the first electric buses for Prague and the unveiling of the first H'CITY, a new generation of hydrogen-powered buses. During the year, the group delivered new RegioPanter electric multiple units to České dráhy (Czech Railways).

It also supplied the first electric trains to a customer in Latvia. New trams were put into operation in Brno and Germany, and a new metro train was also deployed in Warsaw, Poland. The year 2022 was also important for the group's component production, including the supply of traction motors for locomotives in Kazakhstan and Tanzania. The group actively participated in tenders yielding new contracts in 2022 for the supply of trams to Bratislava and Tampere, plus a major order for the delivery of 24-metre trolleybuses to Prague. In addition to these new contracts, several customers decided to exercise options for further deliveries of transport solutions. These include electric trains for Slovakia and Estonia and trams for Cottbus and Plzeň.

TEMSA

TEMSA, which Škoda Group controls jointly with Sabanci Holding, is a core arm of the group. The Turkish transport equipment manufacturer, which is present in almost 70 countries, has a broad portfolio of urban and intercity buses and coaches. It has subsidiaries in France, Germany, and the US that support sales and provide after-sales services. The main plant in Adana has an annual production capacity of 10,000 vehicles. The company is a major local employer with a workforce of more than 1,410 employees. In 2022, TEMSA generated revenues of EUR 253 million and net profit of EUR 7 million.

Synergies between TEMSA and Škoda Group companies support further growth and expansion into international markets, including Western Europe, through jointly developed smart mobility solutions. TEMSA also runs the first bus research and development centre in Turkey.

<u>PPF Biotech - Biotechnology</u>

SOTIO Biotech

The PPF Group biotech division's SOTIO Biotech Group researches and develops innovative cancer treatments and translates scientific knowledge from the field of immunotherapy into clinical trials. Teams of leading experts from all over the world work for SOTIO as part of its extensive international activities. SOTIO Group, which has its own scientific and laboratory facilities in Prague, is the largest privately funded research endeavour in the Czech Republic.

SOTIO has been part of PPF Group since 2012 and coordinates its biotechnology activities. It is building a diversified portfolio of 19 immune-oncology programs based on its own research and development, partnerships, licensing agreements, investments, mergers, and acquisitions. It has operations in Europe and the US, with principal centres in Prague, Basel, Switzerland, and Boston, Massachusetts.

SOTIO Group's research and development programmes embrace IL-15 superagonist-based products, including immunocytokines, along with personalised cellular immunotherapy on the CAR T platform and next-generation antibody-drug conjugate (ADC) oncology products.

SOTIO validates the safety and efficacy of its products in numerous clinical trials, having conducted seventeen in Europe and the US since 2012. In 2022 and early 2023, four new clinical trials involving nanrilkefusp alfa (formerly SOT101), SOT102 (ADC) and BOXR1030 (CAR T) were initiated. For the latter two products, this marks the start of the clinical phase of testing. In summer 2022, SOTIO launched a joint clinical trial with the global pharmaceutical company MSD (Merck). The AURELIO-04 Phase II clinical study evaluates the safety and efficacy of IL-15 superagonist nanrilkefusp alfa in combination with MSD's KEYTRUDA® (pembrolizumab).

At the end of 2022, SOTIO exercised an option with partner company LegoChem Biosciences and expanded its development pipeline with SOT106, which is now being tested in the laboratory on several types of solid tumours. Its contract with LegoChem Biosciences allows it to exercise rights to the development of up to five new ADC programmes.

SCT Cell Manufacturing ("SCTbio")

As the servicing organisation for SOTIO Group companies, SCT Cell Manufacturing manufactures investigational medicinal products based on cell therapies and intended for the treatment of cancer. SCTbio also provides SOTIO Group and external partners with logistics and other services related to the manufacture of autologous and allogenous medicinal products, including genetically modified and viral vectors.

Other PPF biotech holdings

PPF Group's biotech portfolio also includes investments in the Swiss company Cellestia Biotech and the UK biotechnology company Autolus Therapeutics.

ITIS Holding – Transport systems

ITIS Holding was established in 2022 in order to serve as an umbrella for PPF Group's business in the field of smart transport infrastructure solutions. It is dedicated to innovations and advanced services associated with the control and regulation of traffic outside and inside cities and conurbations, with a particular regard to safety, efficiency and environmental challenges.

Electronic toll system operators CzechToll and SkyToll, tech company TollNet, and transport payment solutions provider PaySystem became wholly owned by ITIS Holding. PPF has a 50% interest in ITIS Holding, which is one of only two providers in the world to operate a satellite toll system in two countries at once. It also runs the electronic vignette payment system for passenger vehicles in both markets.

The holding company's highest-profile brand in the Czech Republic is CzechToll, which has built and, since 2019, operated a satellite-based toll collection system for vehicles weighing more than 3.5 tonnes. This project saw the world's first ever seamless introduction of modern new-generation, scalable satellite technology to replace an existing electronic toll system's technologically outdated and costly microwave system. The cost to the government of operating the new system is three times lower than the previous-generation solution.

CzechToll in 2022:

743,000 vehicles over 3.5 tonnes registered in the electronic toll system
173,000-plus vehicles in the register have Czech number plates
596,000-plus on-board units have been issued to carriers

Slovakia's SkyToll was the first in the world to combine satellite GNSS technology for positioning, microwave DSRC technology for short-distance communication, and mobile GSM technology for communication in mobile networks. SkyToll built Slovakia's satellite toll system, which it has been operating since 2010. Since 2015, the company has been running an electronic vignette system in Slovakia, and in 2021 it built and successfully launched this system in Slovenia.

SkyToll in 2022:

411,966 unique cars detected at least once in system
308,000-plus on-board units
235,000-plus on-board units registered for vehicles from abroad

The technology company TollNet is one of the largest manufacturers of on-board units in the world. PaySystem provides cashless toll payment solutions for carriers.

Heureka Group - E-commerce

Heureka Group is Europe's largest group of price comparison websites and online shopping advisers. Heureka Group is building an integrated, regional e-commerce platform across nine markets in Central and Eastern Europe that is designed primarily to help e-shops, brands, and other partners to connect with users in all the countries in which they operate.

Heureka Group websites are visited by over 23 million users a month, who can choose from more than 55,000 e-shops. Besides the Czech and Slovak e-commerce services, Heureka Group includes Árukereső.hu in Hungary, Compari.ro in Romania, Pazaruvaj.com at Bulgaria, Ceneje.si in Slovenia, Jetfinije.hr in Croatia, Idealno.rs in Serbia, and Idealno.ba in Bosnia. PPF Group holds a 40% stake in Heureka Group. The other Heureka shareholders are EC Investments and Rockaway Capital.

Heureka continued to enhance its services and technologies in 2022. Following the acquisition of Dataweps in 2021, Heureka added another important partner to its portfolio – the logistics company Balíkobot – in August 2022. Looking ahead, Heureka plans to gradually offer its partners its know-how in the processing of logistics data and its transfer to carriers. This will benefit not only e-shops, but also end customers because the information will be more accurate and faster.

Heureka's extensive database and statistics on customer shopping behaviour from all nine countries position it perfectly as a key partner to help e-shops and brands to develop their offering to customers and grow sales further. To improve the quality of its service, Heureka has been developing elements of machine learning technology and in the past year has started to deploy a new unified look and feel across all countries in which Heureka Group operates.

After two years of meteoric growth driven by the coronavirus pandemic, 2022 marked a downturn for e-commerce and an expected return to pre-pandemic levels. Customers' shopping behaviour was influenced in particular by the conflict in Ukraine, rising energy prices and soaring inflation. E-shoppers' heightened price sensitivity is steering them towards smart and comparison shopping. Retailers' trustworthiness is a pivotal selection criterion for customers, which is why Heureka annually judges and announces the best e-shops in their market and, based on the experience of millions of shoppers, awards them Verified by Customers certificates.

Heureka has partnered with the Association for Social Responsibility, VISA and Komerční banka to launch the Sustainable e-Shop project. This initiative awards certificates to e-shops that meet stringent environmental and social responsibility criteria. The prestigious VŠE CEMS programme was among those involved in setting the conditions and criteria.

FAST Group – E-commerce/Retail

FAST Group is a trading and distribution company operating in both the wholesale and retail sector. It specialises in branded consumer electronics, tools, telecommunications and office equipment. It operates out of the Czech Republic and Slovakia, with subsidiaries in Hungary and Poland, plus it has its own sales offices or distributes goods in 55 other countries.

FAST Group has a wealth of experience in the sale, development, and testing of products, which it supplies to all sales channels and retail chains in the Czech Republic, including its own PLANEO Elektro network. PPF Group bought into FAST Group in 2021 with a 40% stake. Other shares are held by EC Investments and Rockaway Capital.

FAST Group's long-term priority is to strategically expand its product range in established segments and strengthen the position of its own key brands, with a particular accent on SENCOR, Fieldmann, Lamart, Yenkee, Catler, Buxton, Bayby, Retlux and Stell. FAST holds a licence for Philco-branded products in Central Europe and certain other markets. FAST currently owns 15 consumer electronics and tool brands. With SENCOR, its most profitable brand, FAST is concentrating on innovating, developing and improving its product portfolio, and focuses on providing support to end customers. SENCOR is a brand that has built up a solid reputation among customers and retailers and is constantly working to strengthen its marketing position. In addition to managing its own brands, FAST distributes over a hundred other brands, including exclusive distribution of world famous brands Sage and SodaStream.

In this challenging time of global economic downturn caused by the war in Ukraine and the energy crisis, FAST is keenly focused on maximising turnover and profit. It relies on a robust business model and its traditionally strong market position. FAST is building an extensive retail network and has plans for further sustainable expansion. It is looking for promising sites where its business can flourish in the Czech Republic and abroad. It continuously monitors and analyses the profitability parameters of individual shops and is improving the sales network.

In its international business operations, FAST is gearing up to open distribution centres in other EU countries, especially in the Balkans and the Baltic. These centres will yield new opportunities for commercial activities and support for existing and new business partners. They will also pave the way for the further development of services and products in both the B2B and the B2C segment.

In recent years, FAST Group has capitalised on the trend of accelerated e-commerce growth generated by the recent pandemic restrictions and has focused on intensively developing its own B2C online sales platforms. In 2022, it successfully ramped up PLANEO's e-commerce business, which grew even in an otherwise contracting market. As a result, FAST gained a dominant market share in high-growth categories such as e-mobility, professional weather stations and mobile air-conditioning, where its SENCOR own-brand products proved successful. FAST continues to invest in the digitalisation and automation of operations for better customer support and an improved customer experience, and as a way of boosting the company's technological competitiveness.

O2 arena, O2 universum, and STAGES HOTEL Prague - Leisure

O2 arena is one of the most modern multi-purpose halls in Europe and, with a 20,000 seat capacity, it is the largest arena in the Czech Republic. Together with O2 universum, the multi-purpose conference and cultural centre, and STAGES HOTEL Prague, the arena offers unique facilities with high-quality services for organisers and visitors of the most popular concerts and sports, conference and corporate events.

O2 arena

The year 2022 was exceptional for O2 arena in terms of the number of events it held and visitors it welcomed. The event calendar was crowded with dozens of concerts postponed from the previous year due to pandemic restrictions, with the total number of events passing the 100-show milestone. Last year, the arena recorded the second largest number of visitors in its history – 988,103. Since opening its doors, O2 arena has welcomed a total of 12 million visitors.

The most successful event spectator-wise last year was EuroBasket 2022, the European basketball championship, which drew 80,000 fans. During the year, the likes of Sting, Kendrick Lamar, 50 Cent, Kiss and Harry Styles dazzled onstage at O2 arena. Ice hockey fans saw home team HC Sparta Prague take the runners-up spot in the Czech Extraliga.

O2 universum

Last year, events hosted by the 39-hall multipurpose facility included another of the popular Comic-Con festivals, concerts by Jelen and Tatabojs, and performances by a variety of celebrated artists, such as Jamie Cullum, Lang Lang, Beth Hart, Lenny, ZAZ and Johnny Depp. Upwards of 92,000 people attended the more than 40 cultural events staged here. On top of this, the nearly 90 private and industry events held at O2 universum were attended by over 40,000 people.

STAGES HOTEL Prague

Since November 2021, STAGES HOTEL Prague has been operated as part of the Marriott International chain's Tribute Portfolio group. Its architecture and interiors were inspired by concerts taking place at the O2 arena and O2 universum practically next door. The 300-room hotel offers six conference rooms, catering services, and other facilities.

STAGES HOTEL Prague was singled out by an expert jury for the prestigious Building of the Year 2022 award, the third Bestsport-operated property to be honoured with this title. The hotel's ranking for customer satisfaction with F&B services and facilities was the highest among all Tribute Portfolio hotels in the EMEA region in 2022.

Blue Sea Holding - Leisure

In 2021, PPF Group and Groupe Beneteau, the world's leading leisure boat manufacturer, jointly acquired stakes in the global companies Dream Yacht Charter and Navigare Yachting with the aim of building a new global leader in the sailing yacht charter segment.

After two difficult years, tourism rebounded in most parts of the world in 2022, confirming the growing interest in holidays at sea, away from tourist centres and traditional destinations. At a time of decline in traditional international tourism, the acquisition of stakes in both companies responds to the growing demand for customised, sustainable leisure travel.

The investment combines the assets of Dream Yacht Charter (a control stake), a leader in this category, and Navigare Yachting (an associate), one of the industry's top four. Their combined sales in 2022 surpassed EUR 200 million, which is above pre-pandemic levels. PPF Group has a 59% stake in the joint venture, with Groupe Beneteau holding the remaining 41%. Together, they are looking to gain a strong presence in the multi-billion global pleasure craft charter market.

Together, these two charter companies and their subsidiaries, including the fast growing online booking platform SamBoat, operate the largest leisure fleet of sailing boats and catamarans in the world. The fleet encompasses different types of sailing boats, such as smaller single-hull vessels, larger catamarans for groups and families, and spacious, more comfortable houseboats. Customers can spend their holidays at sea in any of over fifty locations around the world, depending on whether they want to explore the Caribbean, the Mediterranean, the Indian Ocean, or the Pacific Ocean.

During 2022, Dream Yacht was extensively rebranded to appeal to a wider target group in the travel industry. The aim is to bring this travel category to customers outside the yachting community and to present Dream Yacht as a company specialising in sea travel in general. The rebranding was accompanied by the launch of a new, more user-friendly platform for convenient and secure online booking in response to technological trends and consumer expectations.

Last year, the company pledged to significantly reduce carbon emissions from its operations. The addition of more than 20 electric vessels to the fleet between 2023 and 2024 will help to meet this commitment, as will establishing strong business partnerships with ship builders who have made sustainability a priority.

In spring this year, PPF Group announced that it had signed an agreement to acquire Robertson & Caine (R&C), the South African maker of the Leopard catamaran. The deal signals a further expansion of the Group's specialist division dedicated to the global business of building and chartering pleasure craft and delivering related services.

Corporate social responsibility

PPF Group has a long-standing commitment to support education, culture, sports, and local communities, along with the advancement of civil society and scientific research, in all 25 countries where it operates. Besides its financial donations and material support, PPF Group companies also assist non-profit and civic activities by providing services on preferential terms, sharing relevant expertise, and involving the Group's specialists and teams in professionally focused training projects.

In the Czech Republic, PPF Group primarily supports projects, people and institutions that dedicate their efforts or talents to the development of Czech society and help to create an environment and conditions for an open society, mutual respect, opportunities for individuals to follow their own paths, and the possibility of succeeding in the world, thereby inspiring others through their activities. Since

2020, many of the Group's CSR programmes and activities have been concentrated at the PPF Foundation.

In 2022, the Group's Czech companies donated a total of EUR 30 million to their CSR activities, non-profit activities, and support for sports, education, health care, and local communities in the Czech Republic.

Internationally, the Group provides support through the projects and foundations of numerous Group companies that have a long-standing focus on specific areas due to their skill set, line of business, or location, and often join forces with the public sector and communities.

Globally, in 2022 PPF Group donated the equivalent of more than EUR 33 million to non-profit activities and support for sport, culture, education, health care, and local communities outside the Czech Republic.

CSR at PPF Group

PPF Group companies pursue non-profit projects and CSR initiatives relevant to their line and place of business. Group-wide, support programmes and key activities are coordinated to amplify the overall beneficial impact that non-profit activities have. This policy helps the Group companies to profit from the mutual sharing of experience, information and resources.

The general thrust of each PPF Group company's CSR activities is based on what business it does. Financial services companies dedicate themselves primarily to fostering financial literacy and the responsible management of personal finances. These programmes, which are run internationally in collaboration with local organisations, educational institutions, and other partners, include financial or in-kind support, workshops, and the production and distribution of publications, videos and digital apps.

Areas on which the Group's telecommunications companies focus include the provision of access to – and the promotion and development of – online education in schools, plus internet safety for children and guidelines on how to navigate the online world safely. They also pay close attention to the development of new digital tools and services that promote technological literacy and the use of advanced communication technologies in the public sector. In their work with partners, telecommunications companies often cater to their communication needs and provide free or discounted services.

Support for Ukrainians in the Czech Republic

Starting in February 2022, PPF Group companies consistently dedicated themselves to providing refugees from war-torn Ukraine with support and material assistance.

Some of these activities drew on the EUR 4 million donation that the Group, through the PPF Foundation and The Kellner Family Foundation, made for the integration and education of refugees – especially children – in the Czech Republic. These activities included assistance at all stages of the integration process: the adaptation period, integration into the education system, and other systemic steps aimed at supporting integration into society. A vital role was played by the Textbooks for Ukraine project, which provided schools and other institutions with a total of 340,000 free copies of books for teaching Czech as a second language.

The PPF Foundation also channelled extensive assistance into the borough of Prague 6, where PPF Group is headquartered in the Czech Republic. It supported the Slunečnice ("Sunflower") Community Centre with funding and materials for its integration programme geared towards the teaching of Czech, and also directed some of this aid at local primary schools. Targeted assistance making it possible to work with Ukrainian pupils was also extended to other schools enrolled in the "Helping Schools Succeed" scheme, which has long been backed by The Kellner Family Foundation.

Financial support and employee fundraisers were augmented by PPF Group companies' donations of materials. Telecommunications companies donated prepaid SIM cards to refugee relief organisations and provided free roaming services and international calls. FAST teamed up with People in Need to donate consumer electronics and other products. Group companies offered jobs, accommodation and other services, including a financial service website in Ukrainian. Employee fundraisers resulted in further material support, gifts for children, and offers of accommodation, transport, and assistance for refugees and families from Ukraine.

Selected fields of PPF Group companies' CSR activities in 2022

Responsible financial services

Air Bank, Zonky, and Home Credit have long been leaders in responsible finance within the PPF Group in the Czech Republic, focusing on transparency and fairness in the services they provide. This is reflected in these brands' successful track record in the People in Need's Responsible Lending Index. Air Bank's responsible approach is built on factors such as a corporate code of conduct, clearly worded contractual terms and conditions, and barrier-free branches with a workstation for wheelchair users.

Besides the inclusion of people with disabilities, important CSR strands at Home Credit Group are social inclusion and support for women in deprived communities. In Indonesia, for example, the company is in its second year of providing grants for web development retraining courses. In 2022, these courses were offered to 1,114 women and people with disabilities. In the same region, Home Credit held sign language courses for its employees to support communication with the hearing impaired.

Home Credit also empowers women entrepreneurs in developing countries. For instance, in partnership with Hagar International in Vietnam, the company provided financial mentoring and interest-free credit to women to develop their micro-businesses, while in India financial support was channelled into an Indian Development Foundation project aimed at educating 30,000 women about financial literacy.

Digitalisation and technology for education and inclusion

PPF Group's focus on child development, digital literacy, and technology in education is primarily driven by O2 Czech Republic and its O2 Foundation, the oldest corporate foundation in the Czech Republic. Within the framework of the long-term O2 Chytrá škola ("Smart School") initiative, which aims to teach children, teachers and parents how to use digital technologies correctly while staying safe on the Internet, research was conducted on "Children and the Cult of Beauty in the Online World". It involved 10,000 young people aged between 10 and 17. O2 collaborated with Palacký University in Olomouc on this project, which investigated how social media influences children's perception of beauty, what motivates children to alter their appearance, whether they have encountered online ridicule, and what impact these factors have on their psyche. The research was followed up by the "Bodyshaming" awareness campaign, which engaged with 900,000 people. It featured well-known faces who have personally experienced ridicule on social media.

The public information website bezpecnevsiti.cz, launched by O2 Chytrá škola in October 2021, completed its first full year of operation. Visitors here will find a one-stop shop on how to navigate and stay safe on the internet. The site's content, including articles, pop quizzes, games, and podcasts, attracted more than 11,000 users during the year.

In 2022, 213 schools responded to an invitation to apply O2 for grants from the O2 Foundation as it embarked on a fourth year of funding digital literacy education in primary schools. The O2 Foundation distributed EUR 200 thousand among the 62 schools it chose to support.

Society and communities

PPF Group companies have long sponsored community, cultural, and sports programmes in the places where they do business. Last year in the Czech Republic (beyond the framework of the PPF Foundation's projects), the Czech Philharmonic and the Summer Shakespeare Festival were again among the partners selected for support. Keeping to tradition, the Group once again supported the Jára Cimrman Theatre in Prague. PPF banka continued its involvement as the general sponsor of Cirk La Putyka and the Jatka78 theatre.

Within PPF Group, Škoda Group companies are among the largest sponsors of sport in the Czech Republic. Škoda Group has long attached its name to sport by backing clubs such as the HC Škoda Plzeň and Draci Pars Šumperk ice hockey teams, Baník football club and AK Škoda Plzeň athletics club, and by sponsoring public sports facilities such as the Plzeň Škoda Sport Park and Škodaland.

For more than ten years now, Škoda Group has partnered the Plzeň City Charity and its St Zdislava Home for mothers with children who are facing hardship. This is a facility that provides a safe haven and assistance to mothers who find themselves and their children in a dire situation in their lives. This partnership also includes Škoda's support for the St George Home for the Elderly in Plzeň.

O2, as a provider of telecommunications services, supports several helplines that are available to various groups of people in times of need and difficulty. Linka bezpečí (Safety Line), which offers assistance to children and young people up to the age of 26, fields around 400 calls a day. Linka seniorů (Senior Line), run by Elpida, o.p.s., is dedicated to elderly citizens and their guardians and helps them to cope with difficult situations in their lives. Linka důvěry (Helpline), operated by the Children's Crisis Centre, has been supported by O2 since the end of 2021.

Inclusion and support for persons with disabilities

O2 runs a helpline for people with hearing and visual impairments to help them stay connected with others through modern technology. During 2022, this helpline handled almost 20,000 requests for assistance.

Yettel Hungary had the app localised to help people with communication difficulties in Hungary. One in two hundred people experience these impairments, which can take the form of severe disorders caused by ALS, autism, central nervous system damage, aphasia and other conditions. In response, the AVAZ app was created to help children and adults with these types of disorders to communicate more effectively. The visually-based app uses synthesised speech and provides a fully visual and textual solution for verbal expression. The Hungarian version includes vocabulary from textbooks used in the junior years of primary school so that children who are unable to communicate verbally can engage in integrated learning in the classroom.

Environment

PPF Group's operations as a whole did not have any significant negative impact on the environment.

Recent events, commercial and financial outlook

In 2022, the residual consequences of the coronavirus pandemic, the continuing fully-fledged war in Ukraine, and the challenging macroeconomic situation impacted the PPF Group's business.

The Group has already disposed of most of its Russian assets since deciding to leave the country immediately after Russia invaded Ukraine in February 2022. PPF Group sold all Russian banking, non-life insurance, agriculture businesses, and most real estate projects. The sale process is ongoing, subject to mandatory approvals by Russian authorities. The Group's remaining Russian assets are in the life insurance and real estate sectors.

The Group is refocusing on mature markets, mainly in Europe and North America, to counter rising geopolitical risks facing its investments in other regions. Also, the Group expects to close the sale of our Home Credit operations in the Philippines and Indonesia during 2023.

For more details, please refer to the subsequent events disclosed in section G (consolidated financial statements).

Cautionary statement with respect to forward-looking statements

Certain statements contained in these annual accounts 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.

17 May 2023

Board of directors

PPF GROUP N.V.

Consolidated financial statements for the year ended 31 December 2022

Table of contents

Glossary

AC	- amortised cost
CEE	- Central and Eastern Europe
CGU	- cash generating unit
EAD	- exposure at default
EBA	- European Banking Authority
EBITDA	- earnings before interest, tax, depreciation and amortisation
ECL	- expected credit loss
EV	- enterprise value
FLI	- forward-looking information
FV	- fair value
FVOCI	- fair value through other comprehensive income
FVTPL	- fair value through profit or loss
FX	- foreign exchange
HFS	- held-for-sale
IASB	- International Accounting Standards Board
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
MOSA	- management and operational service agreement
MSA	- master service agreement
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 2022	31 December 2021 (restated)*
ASSETS			
Cash and cash equivalents	E1	8,500	7,604
Investment securities and derivatives	E2	5,592	4,906
Loans and receivables due from banks and other financial institutions	E3	379	835
Loans due from customers	E4	8,213	11,732
Trade and other receivables	E5	1,180	1,149
Contract assets	E5	371	260
Current tax assets		35	50
Inventories	E6	444	347
Assets held for sale	E7	1,606	50
Equity-accounted investees	E8	1,482	1,620
Investment property	E9	1,632	2,413
Property, plant and equipment	E10	4,212	4,167
Goodwill	E11.1	2,987	2,984
Intangible assets (excl. goodwill)	E11.2	2,253	2,413
Programming assets	E6	256	204
Deferred tax assets	E39.2	226	882
Other assets	E12	515	570
TOTAL ASSETS		**39,883**	**42,186**
LIABILITIES			
Financial liabilities at FVTPL	E13	1,300	1,080
Due to non-banks	E14	13,207	12,680
Due to banks and other financial institutions	E15	6,552	11,353
Debt securities issued	E16	3,992	3,541
Subordinated liabilities	E17	44	200
Liabilities directly associated with held for sale	E7	870	-
Current tax liabilities		82	39
Trade and other payables	E18	2,526	2,764
Contract liabilities	E5	420	409
Provisions	E19	380	390
Deferred tax liabilities	E39.2	513	602
Conditional commitment to acquire NCI´s share	B.3.3	850	-
TOTAL LIABILITIES		**30,736**	**33,058**
EQUITY			
Issued capital	E20	1	1
Share premium	E20	677	677
Other reserves	E21	(1,079)	(154)
Retained earnings		8,826	8,008
Total equity attributable to owners of the Parent		8,425	8,532
Non-controlling interests	E22	722	596
Total equity		**9,147**	**9,128**
TOTAL LIABILITIES AND EQUITY		**39,883**	**42,186**

*For more details on the restatement refer to A.7 and B.2.3

The notes on pages 39 to 215 are an integral part of these consolidated financial statements.

Consolidated statement of income

For the year ended 31 December

In millions of EUR

	Note	2022	2021 (restated)*
Interest income		2,345	2,346
Interest expense		(1,063)	(963)
Net interest income	E25	**1,282**	**1,383**
Fee and commission income		353	297
Fee and commission expense		(127)	(119)
Net fee and commission income	E26	**226**	**178**
Net earned premiums		69	54
Net insurance benefits and claims		(48)	(36)
Acquisition costs		(15)	(12)
Net insurance income	E29	**6**	**6**
Net rental and related income	E30	239	167
Property operating expenses		(60)	(34)
Net valuation gain/(loss) on investment property	E9	(181)	42
Net income related to construction contracts		9	26
Net real estate income		**7**	**201**
Telecommunications income		3,500	3,331
Telecommunications expenses		(1,115)	(1,083)
Net telecommunications income	E31	**2,385**	**2,248**
Media income		767	677
Media expenses		(405)	(324)
Net media income	E32	**362**	**353**
Mechanical engineering income		775	614
Mechanical engineering expenses		(486)	(376)
Net mechanical engineering income	E33	**289**	**238**
Toll operations income		24	39
Toll operations expenses		(8)	(17)
Net toll operations income	E34	**16**	**22**
Leisure business income		169	48
Leisure business expenses		(109)	(36)
Net leisure income		**60**	**12**
Net gain/(loss) on financial assets	E27	(82)	54
Other income	E35	485	196
TOTAL OPERATING INCOME		**5,036**	**4,891**
Net impairment losses on financial assets	E28	(665)	(1,238)
Personnel expenses	E36	(1,259)	(1,228)
Depreciation and amortisation	E37	(971)	(975)
Other operating expenses	E36	(1,253)	(1,227)
Profit/(loss) on disposals/liquidations of equity-accounted investees and subsidiaries	B2	(722)	162
Share of profit/(loss) of equity-accounted investees, net of tax	E7	891	(74)
PROFIT BEFORE TAX		**1,057**	**311**
Income tax expense	E39.1	(862)	(152)
Net profit from continuing operations		**195**	**159**
Net profit/(loss) from discontinued operations, net of tax	B.2.1	(55)	115
NET PROFIT FOR THE PERIOD		**140**	**274**

*The comparative figures have been restated due to the discontinued operations in the Russian Federation and reversal of restatement of the discontinued operations in CEE region (refer to A.8, B.2.1 and B.2.3)

In millions of EUR

	Note	2022	2021
Profit/(loss) attributable to:			
Owners of the Parent		218	239
Non-controlling interests	E21	(78)	35
NET PROFIT FOR THE PERIOD		**140**	**274**

Consolidated statement of comprehensive income

For the year ended 31 December

In millions of EUR

	2022	2021
NET PROFIT FOR THE PERIOD	**146**	**274**
Other comprehensive income		
Valuation gains/(losses) on FVOCI equity instruments	(266)	(68)
Valuation gains/(losses) on FVOCI debt securities*	(59)	(44)
FVOCI revaluation (gains)/losses reclassified to profit or loss*	28	(2)
Foreign operations - currency translation differences*	308	424
Share of OCI of equity-accounted investees*	(427)	268
Disposal of subsidiaries and equity-accounted investees*	553	1
Cash flow hedge – effective portion of changes in fair value*	6	41
Cash-flow hedge - net change in fair value reclassified to profit or loss*	9	(2)
Income tax related to components of other comprehensive income*	-	1
Other comprehensive income for the period, net of tax	**152**	**619**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**292**	**893**
Total comprehensive income attributable to:		
Owners of the Parent	302	835
Non-controlling interests	(10)	58

*Items that are or will be reclassified subsequently to profit or loss.

The notes on pages 39 to 215 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

In millions of EUR

	Issued capital	Share premium	Other reserves					Retained earnings	Attributable to owners of the Parent	Attributable to NCI	Total
			Revaluation reserve	Translation reserve	Hedging reserve	Other reserves	Reserve for puttable instruments				
Balance as at 1 January 2022	**1**	**677**	**(40)**	**(734)**	**449**	**171**	**-**	**8,008**	**8,532**	**596**	**9,128**
Adjustment on initial application of IAS 37 amendment to onerous contracts (share on equity-acc. investees, refer to E.8, F.2.2)	-	-	-	-	-	-	-	(173)	(173)	-	(173)
Balance as at 1 January 2022 (adjusted)	**1**	**677**	**(40)**	**(734)**	**449**	**171**	**-**	**7,835**	**8,359**	**596**	**8,955**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**218**	**218**	**(78)**	**140**
Currency translation differences	-	-	-	243	-	-	-	-	243	65	308
FVOCI revaluation losses taken to equity	-	-	(323)	-	-	-	-	-	(323)	(2)	(325)
FVOCI revaluation losses reclassified to profit or loss	-	-	28	-	-	-	-	-	28	-	28
FVOCI revaluation losses reclassified directly to retained earnings	-	-	16	-	-	-	-	(16)	-	-	-
Effect of hedge accounting	-	-	-	-	2	-	-	-	2	4	6
Cash-flow hedge – effective portion of changes in fair value	-	-	-	-	9	-	-	-	9	-	9
Share of OCI of equity-accounted investees	-	-	-	32	(465)	7	-	-	(426)	(1)	(427)
Disposals and deconsolidation of subsidiaries (refer to B section)	-	-	(1)	552	-	-	-	-	551	2	553
Tax on items taken directly to or transferred from equity	-	-	6	-	(6)	-	-	-	-	-	-
Other comprehensive income/(expense) for the period	**-**	**-**	**(274)**	**827**	**(460)**	**7**	**-**	**(16)**	**84**	**68**	**152**
Total comprehensive income/(expense) for the period	**-**	**-**	**(274)**	**827**	**(460)**	**7**	**-**	**202**	**302**	**(10)**	**292**

In millions of EUR

	Issued capital	Share premium	Other reserves					Retained earnings	Attributable to owners of the Parent	Attributable to NCI	Total
			Revalua-tion reserve	Translation reserve	Hedging reserve	Other reserves	Reserve for puttable instruments				
Total comprehensive income/(expense) for the period	**-**	**-**	**(274)**	**827**	**(460)**	**7**	**-**	**202**	**302**	**(10)**	**292**
Transactions with owners of the Parent											
Dividends to shareholders	-	-	-	-	-	-	-	(119)	(119)	-	(119)
Dividends to NCI	-	-	-	-	-	-	-	-	-	(37)	(37)
Sales of shares in subsidiaries to NCI (refer to B.3.3)	-	-	-	-	-	-	-	1,151	1,151	260	1,411
Acquisition of shares in subsidiaries from NCI (refer to B.3.1)	-	-	-	-	-	-	-	(251)	(251)	(60)	(311)
Conditional commitment to acquire NCI's share - origination (refer to B.3.3)	-	-	-	-	-	-	(1,411)	-	(1,411)	-	(1,411)
Conditional commitment to acquire NCI's share – change in net present value (refer to B.3.3)	-	-	-	-	-	-	561	-	561	-	561
Contributions by NCI	-	-	-	-	-	-	-	-	-	5	5
Other changes in NCI	-	-	-	-	-	-	-	16	16	(32)	(16)
Disposal of AT1 subordinated bond (loss of control of the issuing subsidiary, refer to B.2.1)	-	-	-	-	-	(181)	-	-	(181)	-	(181)
Other	-	-	-	-	-	6	-	(8)	(2)	-	(2)
Total transactions with owners of the Parent	**-**	**-**	**-**	**-**	**-**	**(175)**	**(850)**	**789**	**(236)**	**136**	**(100)**
Balance as at 31 December 2022	**1**	**677**	**(314)**	**93**	**(11)**	**3**	**(850)**	**8,826**	**8,425**	**722**	**9,147**

The notes on pages 39 to 215 are an integral part of these consolidated financial statements.

In millions of EUR

	Issued capital	Share premium	Other reserves				Retained earnings	Attributable to owners of the Parent	Attributable to NCI	Total
			Revaluation reserve	Translation reserve	Hedging reserve	Other reserves				
Balance as at 1 January 2021	**1**	**677**	**86**	**(1,144)**	**158**	**183**	**7,954**	**7,915**	**602**	**8,517**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**239**	**239**	**35**	**274**
Currency translation differences	-	-	-	402	-	-	-	402	22	424
FVOCI revaluation losses taken to equity	-	-	(110)	-	-	-	-	(110)	(2)	(112)
FVOCI revaluation gains reclassified to profit or loss	-	-	(2)	-	-	-	-	(2)	-	(2)
FVOCI revaluation gains reclassified directly to retained earnings	-	-	(22)	-	-	-	22	-	-	-
Cash-flow hedge – effective portion of changes in fair value	-	-	-	-	37	-	-	37	4	41
Cash-flow hedge – net change in fair value reclassified to profit or loss	-	-	-	-	(2)	-	-	(2)	-	(2)
Share of OCI of equity-accounted investees	-	-	-	5	263	-	-	268	-	268
Disposals and deconsolidation of subsidiaries	-	-	-	3	-	(1)	-	2	(1)	1
Tax on items taken directly to or transferred from equity	-	-	8	-	(7)	-	-	1	-	1
Other comprehensive income for the period	**-**	**-**	**(126)**	**410**	**291**	**(1)**	**22**	**596**	**23**	**619**
Total comprehensive income for the period	**-**	**-**	**(126)**	**410**	**291**	**(1)**	**261**	**835**	**58**	**893**
Dividends to NCI	-	-	-	-	-	-	-	-	(65)	(65)
Acquisition of shares in subsidiaries from NCI	-	-	-	-	-	-	(186)	(186)	(35)	(221)
Sales of shares in subsidiaries to NCI	-	-	-	-	-	-	2	2	6	8
Other changes in NCI	-	-	-	-	-	(11)	(13)	(24)	-	(24)
Acquisitions through business combinations (refer to B.2.3)	-	-	-	-	-	-	-	-	30	30
Other	-	-	-	-	-	-	(10)	(10)	-	(10)
Total transactions with owners of the Parent	**-**	**-**	**-**	**-**	**-**	**(11)**	**(207)**	**(218)**	**(64)**	**(282)**
Balance as at 31 December 2021	**1**	**677**	**(40)**	**(734)**	**449**	**171**	**8,008**	**8,532**	**596**	**9,128**

Consolidated statement of cash flows

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

In millions of EUR

	Notes	2022	2021 (restated)*
Cash flows from operating activities			
Profit for the period, net of tax (incl. discontinued operations)		140	274
Adjustments for:			
Depreciation and amortisation		980	994
Impairment losses on goodwill		-	16
Impairment of current and non-current assets	E28	897	1,484
(Gain)/loss on disposal of PPE, intangible assets and investment property		(186)	7
Loss on sale of investment securities		42	14
(Profit)/loss on disposals of equity-accounted investees and subsidiaries		722	(162)
Interest expense	E25	1,141	1,067
Interest income	E25	(2,556)	(2,765)
Net foreign exchange gains	E35	(154)	(84)
Share of (profit)/loss of equity-accounted investees, net of tax		(891)	68
Other (income)/expenses not involving movements of cash		232	(10)
Income tax expense	E39	848	180
Gain on bargain purchase		-	(5)
Interest received		2,439	2,776
Change in loans and receivables due from banks and other financial institutions		450	(327)
Change in loans due from customers		157	2,068
Change in financial assets at FVTPL		315	(348)
Change in trade and other receivables		(559)	27
Change in other assets		(207)	(295)
Change in liabilities due to non-banks		2,063	1,729
Change in financial liabilities at FVTPL		127	(15)
Change in trade and other payables		201	(178)
Cash and cash equivalents reclassified as assets HFS**		(54)	-
Income tax paid		(324)	(356)
Net cash from operating activities		**5,823**	**6,159**
Cash flows from investing activities			
Dividends received		60	41
Purchase of tangible and intangible assets	E10, E11	(968)	(715)
Purchase of financial assets at FVTPL not held for trading		(221)	(97)
Purchase of financial assets at AC		(643)	(708)
Purchase of financial assets at FVOCI		(824)	(1,061)
Purchase of investment property		(68)	(533)
Acquisition of subsidiaries and equity-acc. investees, net of cash acquired (incl. capital increase)***	B2	(118)	(600)
Proceeds from disposals of tangible and intangible assets		295	19
Proceeds from sale of financial assets at FVTPL not held for trading		43	74
Proceeds from sale of financial assets at AC		85	115
Proceeds from sale of financial assets at FVOCI		440	1,062
Proceeds from sale of investment property		-	16
Proceeds from disposal of subsidiaries and equity-acc. investees, net of cash disposed (incl. capital decrease)***	B2	487	308
Net cash used in investing activities		**(1,432)**	**(2,079)**

	Notes	2022	2021 (restated)*
Cash flows from financing activities			
Proceeds from the issue of debt securities		1,195	936
Proceeds from liabilities due to banks and other financial institutions		4,389	11,686
Repayment of debt securities		(660)	(2,328)
Repayment of liabilities due to banks and other financial institutions		(8,239)	(12,067)
Interest paid		(1,054)	(1,042)
Cash payments for principal portion of lease liability		(149)	(142)
Dividends paid to shareholders		(119)	-
Dividends paid to NCI		(37)	(65)
Payments related to other equity instruments		-	(15)
Proceeds from sale of shares in subsidiaries to NCI	B2	1,411	8
Payments for purchase of shares in subsidiaries from NCI	B2	(311)	(221)
Contributions by NCI		5	4
Cash flow used in financing activities	**E24**	**(3,569)**	**(3,246)**
Net increase in cash and cash equivalents		**822**	**834**
Cash and cash equivalents as at 1 January		**7,604**	**6,388**
Effect of movements in exchange rates on cash and cash equivalents		74	382
Cash and cash equivalents as at 31 December		**8,500**	**7,604**

*For more details on the restatement refer to A.9.
**The amount represents cash and cash equivalents of the disposal group held for sale, refer to B.2.2.
***Cash-flows from capital increase/decrease presented relate only to transactions with the equity-accounted investees.

The notes on pages 39 to 215 are an integral part of these consolidated financial statements.

Cash flow lines directly attributable to the income statement comprise both continuing and discontinued operations. For separate presentation of cash flows from discontinued operations refer to B.2.1.

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, biotechnology, and others. Its activities span from Europe to the Russian Federation (Russia), the USA and across Asia.

The consolidated financial statements of the Parent Company for the year ended 31 December 2022 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. Refer to section B of these consolidated financial statements for a list of significant Group entities and changes to the Group in 2022 and 2021.

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

As of 31 December 2022, the ultimate controlling party was Mrs Renáta Kellnerová with a 59.36% stake. As the result of the inheritance procedures finished in September 2022, Mrs Kellnerová and four children of the late Mr Kellner are the direct and indirect holders of 98.93% of PPF Group N.V.

As of 31 December 2022, both Mr Ladislav Bartoníček and Mr Jean-Pascal Duvieusart kept holding their 0.535% minority shares.

Financial reporting period

These financial statements cover the year 2022, which ended at the balance sheet date of 31 December 2022. The year 2021 ending 31 December 2021 presented in these financial statements represents a comparative period.

Application of Section 402, Book 2 of the Dutch Civil Code

The financial information of the Company is included in the consolidated financial statements. For this reason, in accordance with Section 402, Book 2 of the Dutch Civil Code, the separate profit and loss account of the Company exclusively states the share of the result of participating interests after tax and the other income and expenses after tax.

For an appropriate interpretation of these statutory financial statements, the consolidated financial statements of the Company should be read in conjunction with the company financial statements, as included under pages 216 to 231.

A.2. Statement of compliance

These consolidated financial statements were approved by the board of directors and the supervisory board on 17 May 2023.

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 Part 9 of Book 2 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 based on the going concern assumption, applying 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). 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 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 measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gains on a bargain purchase is immediately recognised in profit or loss (refer to F.1.15.1). Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

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

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

A.4. Use of judgements and estimates

In preparing these 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:

- assessment of control over subsidiaries (refer to B.3.3);
- the fair value of tangible and intangible assets identified during the purchase price allocation exercise and initial value of goodwill or gain on bargain purchase 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);
- expected credit losses on investment debt securities, loans provided, trade and other receivables, contract assets and other financial 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 and liabilities (E.41);
- lease-term for the lessee accounting whether the Group is reasonably certain to exercise extension options (refer to E.22);
- assessment of recognition and the net present value of the conditional commitment to acquire NCI's share (refer to B.3.3).

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, either by the Group or by the non-controlling interest, (e.g., those resulting from a lending relationship) become substantive and lead to the Group, or the non-controlling interest, having power over an investee or, if the substantive right on the contrary come to the benefit of the non-controlling interest, the Group might lose its power over an investee and cease controlling it. The financial statements of the subsidiaries are included in these consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of the subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

The Group's interests in equity-accounted investees comprise interests in associates and joint ventures. Associates are those entities in which the Group has significant influence, but not control over financial and operating policies. A joint venture is an arrangement in which the Group has joint control based on a contractual agreement, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates and jointly controlled entities on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds the carrying amount of the equity-accounted investee, the carrying amount is reduced to nil and further losses are recognised as expected credit losses to loans provided to the investee. If no loans were provided to the equity-accounted investee, a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the equity-accounted investee. If the associate or joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

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. In the case of reorganisations and demergers involving Group companies under common control, any resulting gain or loss is recognised directly in equity.

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

A.6. Presentation of functional currency

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

Due to the Russian-Ukraine conflict resulting in limited trading activity in the EUR/RUB market, the European Central Bank (ECB) stated that the ECB was not in position to set a reference rate that was representative of prevailing market conditions. The ECB therefore decided to suspend its publication of the EUR reference rates for the Russian rouble (RUB) until further notice. The ECB last published the EUR/RUB reference rate on 1 March 2022. For the consolidation purposes, the Group applied ECB's EUR/RUB reference rates for the period from 1 January 2022 to 1 March 2022. Since then, the Group has been applying EUR/RUB reference rate published daily by the Central Bank of the Russian Federation as a good point of reference for the EUR/RUB exchange rate quotation.

A.7. Comparative figures in the consolidated statement of financial position

As at 31 December 2021, CEE region was classified as disposal group held for sale and as discontinued operations. Due to the termination of the sale agreement described in B.2.3, for the better understandability and enhancement of the comparability of the consolidated statement of financial position, the comparative period presented and the related disclosures in the notes were restated, to present CEE region, as if it had never been classified as held-for-sale. The below table shows the comparative figures as they were previously reported and after the restatement:

In millions of EUR

	31 December 2021 (reported)	Restatement due to cancellation of HFS for CEE region	31 December 2021 (restated)
ASSETS			
Cash and cash equivalents	6,343	1,261	7,604
Investment securities and derivatives	3,353	1,553	4,906
Loans and receivables due from banks and other financial institutions	727	108	835
Loans due from customers	9,335	2,397	11,732
Trade and other receivables	1,122	27	1,149
Contract assets	260	-	260
Current tax assets	43	7	50
Inventories	347	-	347
Equity-accounted investees	1,620	-	1,620
Investment property	2,413	-	2,413
Property, plant and equipment	4,148	19	4,167
Goodwill	2,984	-	2,984
Intangible assets	2,354	59	2,413
Programming assets	204	-	204
Assets held for sale	5,585	(5,535)	50
Deferred tax assets	872	10	882
Other assets	476	94	570
TOTAL ASSETS	**42,186**	**-**	**42,186**
LIABILITIES			
Financial liabilities at fair value through profit or loss	1,060	20	1,080
Due to non-banks	7,477	5,203	12,680
Due to banks and other financial institutions	11,325	28	11,353
Debt securities issued	3,541	-	3,541
Subordinated liabilities	189	11	200
Current tax liabilities	39	-	39
Trade and other payables	2,680	84	2,764
Contract liabilities	409	-	409
Provisions	389	1	390
Liabilities directly associated with assets held for sale	5,349	(5,349)	-
Deferred tax liabilities	600	2	602
TOTAL LIABILITIES	**33,058**	**-**	**33,058**

	31 December 2021 (reported)	Restatement due to cancellation of HFS for CEE region	31 December 2021 (restated)
EQUITY			
Issued capital	1	-	1
Share premium	677	-	677
Other reserves	(154)	-	(154)
Retained earnings	8,008	-	8,008
Total equity attributable to owners of the Parent	8,532	-	8,532
Non-controlling interests	596	-	596
Total equity	**9,128**	**-**	**9,128**
TOTAL LIABILITIES AND EQUITY	**42,186**	**-**	**42,186**

Additionally in relation to the reclassification of CEE region from held-for-sale, the Group clarifies for the users of these consolidated financial statements that with the original classification to held-for-sale as at 31 December 2021, no impairment losses for write-downs of the disposal group of subsidiaries to the lower of its carrying amount and its fair value less costs to sell were recognised in the year ending 31 December 2021, as the fair values less costs to sell were evaluated as having been of higher amounts for the disposal assets and of lower amounts for the disposal liabilities, as determined for the purposes of the sale price determination. For the year ended 31 December 2021, the cumulative income/(expense) included in OCI relating to the disposal group of subsidiaries was nil.

For the clarification on the restated comparative figures within C section below in these consolidated financial statements, the following table summarises the credit quality of the disposal group's loans exposure as at 31 December 2021:

In millions of EUR, as at 31 December 2021

Loan exposure	Loans due from customers	Loans and receivables due from banks and other financial institutions
Gross amount	2,569	108
Stage 1	2,106	108
Stage 2	294	-
Stage 3	169	-
Purchased or originated credit impaired	-	-
Loss allowance	(172)	-
Carrying amount	**2,397**	**108**

In millions of EUR, as at 31 December 2021

Fair value of collateral received	Loans due from customers	
	Stage 1-2	Stage 3
Secured by:		
Property	1,122	-
Equity securities	67	-
Other	179	16
Total collateral received	**1,368**	**16**

In millions of EUR

Fair value of collateral received for reverse repo operations	31 December 2021
For receivables from reverse repo operations classified as:	
Cash and cash equivalents	1,076
Total	**1,076**

Loans due from customers – retail, which formed a part of the disposal group held for sale, and were not therefore presented within these disclosures in the Group's last annual consolidated financial statement were as follows:

In millions of EUR, as at 31 December 2021

	Cash loans	Consumer loans	Revolving loans	Other*	Total
Gross amount	**1,474**	**28**	**342**	**668**	**2,512**
Stage 1	1,234	4	233	626	2,097
Stage 2	148	2	71	25	246
Stage 3	92	22	38	17	169
POCI	-	-	-	-	-
Loss allowance	**(91)**	**(21)**	**(37)**	**(20)**	**(169)**
Stage 1	(10)	-	(3)	(2)	(15)
Stage 2	(8)	-	(4)	-	(12)
Stage 3	(73)	(21)	(30)	(18)	(142)
POCI	-	-	-	-	-
Total carrying amount	**1,383**	**7**	**305**	**648**	**2,343**

*incl. car and mortgage loans

A.8. Comparative figures in the consolidated statement of income

The comparative figures for the year ended 31 December 2021 have been restated to present the continuing operations only. The restatement resulted from three reasons.

First, due to the termination of the CEE region sale agreement described in B.2.2, following which the CEE region related statement of income captions that were previously presented in one line caption "net profit from discontinued operations, net of tax", were restated back to standard appropriate statement of income captions, to present CEE region, as if it had never been classified as discontinued operations.

Second, due to the discontinuance of financial services operations in the Russian Federation (as further described in detail in B.2.1), the related results were restated to one line caption "net profit from discontinued operations, net of tax".

Third, the Group reassessed appropriateness of presentation of payments to deposit insurance agencies under fee and commission expense caption in the consolidated statement of income, and concluded that their presentation under other operating expenses caption better reflects their nature and role within the Group's operations.

The below table shows the comparative figures as they were previously reported and after the restatement:

In millions of EUR, for the year ended 31 December 2021

	2021 (reported)	Restatement due to termination of the presentation of the operations in the CEE region as discontinued	Restatement due to discontinued operations in the Russian Federation	Presentation of payments to deposit insurance agencies	2021 (restated)
Interest income	2,558	207	(419)	-	2,346
Interest expense	(1,056)	(11)	104	-	(963)
Net interest income	**1,502**	**196**	**(315)**	**-**	**1,383**
Fee and commission income	371	44	(118)	-	297
Fee and commission expense	(169)	(37)	70	17	(119)
Net fee and commission income	**202**	**7**	**(48)**	**17**	**178**
Net earned premiums	74	-	(20)	-	54
Net insurance benefits and claims	(38)	-	2	-	(36)
Acquisition costs	(16)	-	4	-	(12)
Net insurance income	**20**	**-**	**(14)**	**-**	**6**
Net gain/(loss) on financial assets	95	(41)	-	-	54
Net agriculture income	5	-	(5)	-	-
Other income	190	1	5	-	196
TOTAL OPERATING INCOME	**5,088**	**163**	**(377)**	**17**	**4,891**
Net impairment losses on financial assets	(1,269)	(5)	36	-	(1,238)
Personnel expenses	(1,306)	(54)	132	-	(1,228)
Depreciation and amortisation	(971)	(23)	19	-	(975)
Other operating expenses	(1,228)	(35)	53	(17)	(1,227)
Profit on disposals/liquidations of equity-accounted investees and subsidiaries	162	-	-	-	162
Share of loss of equity-accounted investees, net of tax	(68)	-	(6)	-	(74)
PROFIT BEFORE TAX	**408**	**46**	**(143)**	**-**	**311**
Income tax expense	(162)	(18)	28	-	(152)
Net profit from continuing operations	**246**	**28**	**(115)**	-	**159**
Net profit from discontinued operations, net of tax	**28**	**(28)**	**115**	-	**115**
NET PROFIT FOR THE PERIOD	**274**	**-**	**-**	**-**	**274**

A.9. Comparative figures in the consolidated statement of cash flows

As at 31 December 2021, CEE region was classified as disposal group held for sale and as discontinued operations. Due to the termination of the sale agreement described in B.2.2, for the better understandability and enhancement of the comparability of the consolidated statement of cash flows, the comparative period presented and the cash-flow related disclosures in E.24 were restated, so as to present CEE region, as if it had never been classified as held-for-sale. The below table shows the comparative figures as they were previously reported and after the restatement in the consolidated statement of cash flows:

In millions of EUR, for the year ended 31 December 2021

	2021 (reported)	Restatement due to cancellation of HFS for CEE region	2021 (restated)
Cash flows from operating activities			
Profit for the period, net of tax (incl. discontinued operations)	274	-	274
Adjustments for:			
Depreciation and amortisation	994	-	994
Impairment losses on goodwill	16	-	16
Impairment of current and non-current assets	1,484	-	1,484
Loss on disposal of PPE, intangible assets and investment property	7	-	7
Loss on sale of investment securities	14	-	14
Gains on disposals of equity-accounted investees and subsidiaries	(162)	-	(162)
Interest expense	1,067	-	1,067
Interest income	(2,765)	-	(2,765)
Net foreign exchange gains	(84)	-	(84)
Share of loss of equity-accounted investees, net of tax	68	-	68
Other income not involving movements of cash	(9)	(1)	(10)
Income tax expense	180	-	180
Gain on bargain purchase	(5)	-	(5)
Interest received	2,776	-	2,776
Change in loans and receivables due from banks and other financial institutions	(371)	44	(327)
Change in loans due from customers	2,111	(43)	2,068
Change in financial assets at FVTPL	(348)	-	(348)
Change in trade and other receivables	(31)	58	27
Change in other assets	(236)	(59)	(295)
Change in liabilities due to non-banks	1,729	-	1,729
Change in financial liabilities at FVTPL	(15)	-	(15)
Change in trade and other payables	(179)	1	(178)
Cash and cash equivalents reclassified as assets HFS	(1,261)	1,261	-
Income tax paid	(356)	-	(356)
Net cash from operating activities	**4,898**	**1,261**	**6,159**
Net cash used in investing activities	**(2,079)**	**-**	**(2,079)**
Net cash used in financing activities	**(3,246)**	**-**	**(3,246)**
Net increase/(decrease) in cash and cash equivalents	**(427)**	**1,261**	**834**
Cash and cash equivalents as at 1 January	**6,388**	**-**	**6,388**
Effect of movements in exchange rates on cash and cash equivalents	382	-	382
Cash and cash equivalents as at 31 December	**6,343**	**1,261**	**7,604**

A.10. Comparative figures of the off-balance sheet items

Due to the same reason as described above in note A.7, for the better understandability and enhancement of the comparability of the consolidated statement of financial position, also the comparative period for off-balance sheet items presented and the related disclosures in the notes were restated, to present CEE region, as if it had never been classified as held-for-sale.

The Group has also analysed the appropriateness of not presenting certain guarantees (primarily bank guarantees) where the issuing bank covers for the Group's potential liabilities, especially in the Group's production projects, and decided to disclose these guarantees under off-balance sheet assets as other category.

The below table shows the comparative figures as they were previously reported and after the restatement:

In millions of EUR

	31 December 2021 (reported)	Clarification and presentation of certain contingent assets	Restatement due to cancellation of HFS for CEE region	31 December 2021 (restated)
Loan commitments	1,241	-	443	1,684
Revolving loan commitments	997	-	347	1,344
Consumer loan commitments	16	-	35	51
Cash loan commitments	61	-	17	78
Undrawn overdraft facilities	76	-	44	120
Term loan facilities	91	-	-	91
Capital expenditure commitments	199	-	-	199
Guarantees provided	64	-	-	64
Non-payment guarantees	22	-	-	22
Payment guarantees	31	-	-	31
Provided undrawn commitments to provide	11	-	-	11
Digital transmission obligations	13	-	-	13
Programming liabilities	135	-	-	135
Other*	209	(176)	-	33
Total commitments and contingent liabilities	**1,861**	**(176)**	**443**	**2,128**

*Other category is in current period presented under contingent assets to improve the understandability and to better reflect the nature of the included balances.

In millions of EUR

	31 December 2021 (reported)	Clarification and presentation of certain contingent assets	Restatement due to cancellation of HFS for CEE region	31 December 2021 (restated)
Guarantees accepted	141	-	-	141
Loan commitments received	1,281	-	-	1,281
Value of assets received as collateral (including repos)	6,464	-	2,033	8,497
Programming assets	184	-	-	184
Other	-	978	-	978
Total contingent assets	**8,070**	**978**	**2,033**	**11,081**

A.11. 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. The term pandemic refers to the extraordinary societal efforts over the past 2 years to respond to a new disease that have changed how individuals live their lives and how policy responses have developed in governments around the world. In the countries where the Group operates, the local governments imposed different restrictions on its citizens and businesses with gradual softening towards the end of 2022, as the situation overall improved, because of broad previous exposure to virus, regularly accepted vaccines to new antigens or variants and the advent of antivirals. In limiting the effects of any possible operational risks, the Group has been following and observed business continuity protocols, as the health of the Group's employees and clients is its priority.

The impact on the Group's risk evaluation, risk modelling techniques and accounting policies is described in section F.1.7.1.

The Group has sufficient available funds and does not expect to have issues in meeting its obligations when they come due. The Group is closely monitoring the situation in the countries to beware of any potential breaches of covenants.

As the precautionary measure, the Group keeps continuously monitoring the situation, nevertheless based on its current knowledge and available information, the Group does not expect COVID-19 to have an impact on its ability to continue as a going concern in the future, additionally to the fact that the other businesses, apart from the finance services, such as telecommunications and media, mechanical engineering, have not been touched by the covid-crisis. Even the real estate business has proved its resilience and showed only a limited impact on its performance cause by COVID-19.

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 2022 and 2021.

Company	Domicile	Effective proportion of ownership interest 31 December 2022	Effective proportion of ownership interest 31 December 2021
PPF Group N.V.	Netherlands	Parent Company	Parent Company
PPF Financial Holdings subgroup - subsidiaries			
PPF Financial Holdings a.s.	Czech Republic	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 Bank JSC (1)	Kazakhstan	100.00%	91.12%
Favour Ocean Ltd.	Hong Kong	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 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 International a.s.	Czech Republic	91.12%	91.12%
Home Credit Slovakia, a.s.	Slovakia	91.12%	91.12%
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%
Guangdong Home Credit Number Two Information Consulting Co., Ltd. (2)	China	-	91.12%
Home Credit and Finance Bank LLC (4)	Russia	-	91.12%
Home Credit US, LLC (2)	USA	-	91.12%
PPF Financial Holdings subgroup – associates			
CB Growth Holdings Limited (3)	United Kingdom	35.35%	-
ClearBank Ltd. (3)	United Kingdom	35.35%	44.78%
Home Credit Insurance LLC (4)	Russia	45.10%	91.12%
RTGS Group Limited	United Kingdom	44.30%	39.40%
Telecommunications subgroup – subsidiaries			
PPF Telecom Group B.V.	Netherlands	100.00%	100.00%
CETIN a.s.	Czech Republic	70.00%	100.00%
CETIN Bulgaria EAD	Bulgaria	70.00%	100.00%
CETIN d.o.o. Beograd-Novi Beograd	Serbia	70.00%	100.00%
CETIN Finance B.V.	Netherlands	70.00%	100.00%
CETIN Group N.V. (5)	Netherlands	70.00%	100.00%
CETIN Hungary Zrt.	Hungary	52.50%	75.00%
O2 Czech Republic a.s. (6)	Czech Republic	100.00%	90.52%
O2 IT Services s.r.o. (6)	Czech Republic	100.00%	90.52%
O2 Networks, s.r.o. (7)	Slovakia	100.00%	-
O2 Slovakia, s.r.o. (6)	Slovakia	100.00%	90.52%
PPF Comco N.V.	Netherlands	100.00%	-
PPF TMT Bidco 1 B.V.	Netherlands	100.00%	100.00%

Company	Domicile	Effective proportion of ownership interest	
		31 December 2022	31 December 2021
Yettel Bulgaria EAD [8]	Bulgaria	100.00%	100.00%
Yettel d.o.o. Beograd [8]	Serbia	100.00%	100.00%
Yettel Magyarország Zrt. [8]	Hungary	75.00%	75.00%
Yettel Real Estate Hungary Zrt. [8]	Hungary	75.00%	75.00%
TMT Hungary B.V.	Netherlands	75.00%	75.00%
TMT Hungary Infra B.V.	Netherlands	52.50%	75.00%
Real estate subgroup – subsidiaries			
PPF Real Estate Holding B.V.	Netherlands	100.00%	100.00%
ARC DEVELOPMENT S.R.L.	Romania	100.00%	-
Art Office Gallery a.s.	Czech Republic	100.00%	100.00%
Aventon Alaira II JV, LLC	USA	90.00%	-
Aventon Alaira ii Owner, LLC	USA	90.00%	-
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%
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%
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%
Investitsioniy Trust CJSC	Russia	78.75%	78.75%
Johan H (Amsterdam) B.V.	Netherlands	100.00%	100.00%
Kateřinská Office Building s.r.o.	Czech Republic	100.00%	100.00%
Langen Property B.V.	Netherlands	100.00%	100.00%
LvZH (Rijswijk) B.V.	Netherlands	100.00%	100.00%
Millennium Hotel Rotterdam 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%
Murcja sp. Z o.o.	Poland	100.00%	100.00%
Plaza Development SRL	Romania	100.00%	100.00%
Pompenburg (Rotterdam) B.V.	Netherlands	100.00%	100.00%
PPF CYPRUS RE MANAGEMENT Ltd.	Cyprus	100.00%	100.00%
PPF Gate, a.s.	Czech Republic	100.00%	100.00%
PPF reality a.s.	Czech Republic	100.00%	100.00%
PPF Real Estate s.r.o.	Czech Republic	100.00%	100.00%
PPF Real Estate I, Inc.	USA	100.00%	100.00%
PPF Real Estate Russia LLC	Russia	100.00%	100.00%
One Westferry Circus B.V. (formerly One Westferry Circus S.à.r.l.) [9]	Netherlands	100.00%	100.00%
RC PROPERTIES S.R.L.	Romania	100.00%	100.00%
Roko LLC	Russia	100.00%	100.00%
Stockmann StP Centre LLC	Russia	100.00%	100.00%
Sun Belt Multi I, LLC	USA	100.00%	100.00%
Sun Belt Multi II, LLC	USA	100.00%	-
Sun Belt Office I, LLC	USA	100.00%	100.00%
Sun Belt Office I Interholdco, LLC	USA	100.00%	100.00%
Sun Belt Office II Interholdco, LLC	USA	100.00%	100.00%
Sun Belt Office II, LLC	USA	100.00%	100.00%
Tanaina Holdings Ltd.	Cyprus	100.00%	100.00%
Telistan Ltd.	Cyprus	99.90%	99.90%
Velthemia Ltd.	Cyprus	60.07%	60.07%
Wagnerford LLC	Russia	89.91%	89.91%
Wilhelminaplein B.V.	Netherlands	100.00%	100.00%
Anthemona Ltd. [10]	Cyprus	-	100.00%
Fantom LLC [10]	Russia	-	100.00%
Gorod Molodovo Pokoleniya LLC [10]	Russia	-	73.00%
Intrust NN CJSC [10]	Russia	-	66.67%
ISK Klokovo LLC [10]	Russia	-	100.00%
Kvartal Togliatti LLC [10]	Russia	-	100.00%

Company	Domicile	Effective proportion of ownership interest 31 December 2022	31 December 2021
Logistics-A LLC (10)	Russia	-	100.00%
Logistika-Ufa LLC (10)	Russia	-	100.00%
Razvitie LLC (10)	Russia	-	60.07%
Skladi 104 LLC (10)	Russia	-	60.06%
Skolkovo Gate LLC (10)	Russia	-	100.00%
Spetsializirovanniy zastroyshchik “Delta Com” LLC (10)	Russia	-	100.00%
TK Lipetskiy LLC (10)	Russia	-	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%	50.00%
MiddleCap Seal House Ltd.	United Kingdom	50.00%	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			
Škoda a.s.	Czech Republic	85.70%	85.70%
Bammer trade a.s.	Czech Republic	85.70%	85.70%
ŠKODA ELECTRIC a.s.	Czech Republic	85.70%	85.70%
Škoda Investment a.s.	Czech Republic	85.70%	85.70%
ŠKODA PARS a.s.	Czech Republic	85.70%	85.70%
Škoda Transportation a.s.	Czech Republic	85.70%	85.70%
Škoda Transtech Oy	Finland	85.70%	85.70%
ŠKODA VAGONKA a.s.	Czech Republic	85.70%	85.70%
Skoda B.V. (11)	Netherlands	-	85.70%
Engineering subgroup – joint ventures			
TEMSA ULASIM ARACLARI SANAYI VE TICARET A.S.	Turkey	42.85%	42.85%
SIBELEKTROPRIVOD LLC (12)	Russia	-	42.85%
Media subgroup – subsidiaries			
CME Media Enterprises B.V.	Netherlands	100.00%	100.00%
BTV Media Group EAD	Bulgaria	94.00%	94.00%
CME Services s.r.o.	Czech Republic	100.00%	100.00%
MARKIZA-SLOVAKIA, spol. s r.o.	Slovakia	100.00%	100.00%
PRO PLUS d.o.o.	Slovenia	100.00%	100.00%
Pro TV S.R.L.	Romania	100.00%	100.00%
RTL Hrvatska d.o.o. (13)	Croatia	100.00%	-
TV Nova s.r.o.	Czech Republic	100.00%	100.00%
TV Bidco B.V. (14)	Netherlands	-	100.00%
Other significant subsidiaries			
ACOLENDO LIMITED	Cyprus	100.00%	-
Bavella B.V.	Netherlands	100.00%	100.00%
Bestsport, a.s.	Czech Republic	100.00%	100.00%
BLUE SEA HOLDING Srl	Belgium	58.91%	58.91%
BONAK a.s.	Czech Republic	100.00%	100.00%
Cytune Pharma SAS	France	97.00%	97.00%
Dream Yacht Group SA	Belgium	51.17%	51.17%
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%
Miridical Holding Limited	Cyprus	100.00%	100.00%
Naneva B.V.	Netherlands	100.00%	100.00%
PPF a.s.	Czech Republic	100.00%	100.00%
PPF Biotech B.V.	Netherlands	97.00%	97.00%
PPF CYPRUS MANAGEMENT Ltd.	Cyprus	100.00%	100.00%
PPF Finco B.V.	Netherlands	100.00%	100.00%
PPF Life Insurance LLC	Russia	100.00%	100.00%
PPF Telco B.V.	Netherlands	100.00%	100.00%
PPF TMT Holdco 1 B.V.	Netherlands	100.00%	100.00%
Prague Entertainment Group B.V.	Netherlands	100.00%	100.00%
SCTbio a.s.	Czech Republic	97.00%	97.00%

Company	Domicile	Effective proportion of ownership interest	
		31 December 2022	31 December 2021
SCT Cell Manufacturing s.r.o.	Czech Republic	97.00%	97.00%
SOTIO Biotech AG	Switzerland	97.00%	97.00%
SOTIO Biotech a.s.	Czech Republic	97.00%	97.00%
Sotio Medical Research (Beijing) Co., Ltd.	China	97.00%	97.00%
Tanemo a.s.	Czech Republic	100.00%	100.00%
Timeworth Holdings Ltd.	Cyprus	100.00%	100.00%
The Culture Trip Ltd.	United Kingdom	85.54%	85.54%
Vox Ventures B.V.	Netherlands	100.00%	100.00%
RAV Agro LLC (15)	Russia	-	100.00%
RAV Molokoproduct LLC (15)	Russia	-	100.00%
Other significant associates/joint ventures			
CE Electronics Holding a.s.	Czech Republic	40.00%	40.00%
FAST ČR, a.s.	Czech Republic	40.00%	40.00%
Heureka Group a.s.	Czech Republic	40.00%	40.00%
ITIS Holding a.s. (16)	Czech Republic	50.00%	-
CzechToll s.r.o. (16)	Czech Republic	50.00%	100.00%
SkyToll, a.s. (16)	Slovakia	50.00%	-
LEAG Holding a.s.	Czech Republic	50.00%	50.00%
Lausitz Energie Verwaltungs GmbH	Germany	50.00%	50.00%
Navigare Yachting Global Holding AB	Sweden	33.88%	33.88%
MONETA Money Bank, a.s.	Czech Republic	29.94%	29.94%
Mall Group a.s. (15)	Czech Republic	-	40.00%
CZC.cz s.r.o.	Czech Republic	-	40.00%
Internet Mall Slovakia, s.r.o.	Slovakia	-	40.00%
Internet Mall, a.s.	Czech Republic	-	40.00%

(1) Effective legal ownership is 0%, however, the Group keeps its control over the subsidiary (refer to B.2.1). During July 2022 renamed from Bank Home Credit SB JSC.
(2) Liquidated
(3) Result of an internal restructuring (refer to E.8).
(4) During 2022, the Group sold all its stake in Home Credit and Finance Bank LLC and lost control but kept its significant influence over Home Credit Insurance LLC (refer to B.2.1).
(5) For details on the sale of the non-controlling 30% share in CETIN Group N.V. refer to B.3.3.
(6) For details on the increase in share of O2 subgroup refer to B.3.1.
(7) For detail on separation of O2 Networks from O2 Slovakia refer to B.3.2.
(8) On 1 March 2022, Telenor companies were rebranded to Yettel.
(9) The seat of the entity was moved from Luxembourg to the Netherlands.
(10) Real estate sold (refer to B.2.6.1).
(11) Merged with Škoda a.s. and disappeared on 31 December 2022.
(12) Sold.
(13) On 1 June 2022, CME Media Enterprises B.V. closed the transactions to acquire RTL Hrvatska d.o.o. (refer to B.2.5).
(14) Merged with CME Media Enterprises B.V. and disappeared on 11 May 2022.
(15) Sold in April 2022 (refer to B.2.6.2 for RAV Group; refer to B.3.4 for Mall Group).
(16) Restructured and acquired in relation to the services (refer to B.3.5).

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 B.V.
Germany	Monheim Property B.V.

B.2. Changes through business combinations in 2022/2021

Overview of the disposals of subsidiaries and equity-accounted investees having an impact on profit or loss during the year ended 31 December 2022:

In millions of EUR, for the year ended 31 December 2022	
Sale of Home Credit and Finance Bank (B.2.1)	(897)
Russian real estate projects sale (B.2.6.1)	(212)
Russian agriculture projects sale (B.2.6.2)	50
Sale of Mall Group (B.3.4)*	347
Toll services restructuring impact (B.3.6)	8
Other sales	(15)
Total profit/(loss) on disposals of subsidiaries and equity-accounted investees	**(719)**

*excluding loss on derivative disclosed in note B.3.4

B.2.1. Sale of Home Credit and Finance Bank

B.2.1.1. Transaction

On 17 May 2022, the Group announced an agreement to sell 100% of its Russian consumer finance assets (held directly by Home Credit subgroup where the Group effectively holds a 91.12% share) to a group of Russian individual investors. The Russian consumer finance assets were all part of the CIS operating segment and included (i) Home Credit and Finance Bank LLC (“HCFB”) (the parent company of the Kazakh subsidiary joint-stock company “Bank Home Credit” (“HC KZ”)); (ii) Home Credit Insurance LLC (“HC Ins”), (iii) MCC Kupi ne kopi LLC (“Kupi”); (iv) Forward Leasing LLC; and (v) Vsegda Da LLC.

The divestment of the Russian assets was executed in two phases:

- Phase 1 – sale of (a) a 50.5% share in HCFB, HC Ins and Kupi, and (b) a 100% share in Vsegda Da LLC and Forward Leasing LLC for a total purchase price of approximately RUB 26.4 billion (EUR 382 million). Upon the completion of this phase, Home Credit N.V. ceased to control these Russian operations. Phase 1 was completed between 25 May and 16 June 2022 when all share transfers were registered with the relevant Russian authorities (the registration of the transfer of 50.5% of HCFB shares was completed on 16 June 2022).

- Phase 2 – forward sale of the remaining 49.5% share in HCFB, HC Ins and Kupi to be completed by November 2023 at the latest, for a total purchase price of approximately RUB 16.4 billion (EUR 237 million); subject to a downward adjustment if Phase 2 is accelerated and completed earlier. The remaining 49.5% share in HCFB was sold in August 2022, and the remaining 49.5% share in Kupi was sold in October 2022. The sale of the remaining 49.5% share in HC Ins was still in holding by the Group, waiting for the regulatory approvals and classified as a held-for-sale asset as at 31 December 2022 (refer to E.7).

Parallel to the above divestment of the Russian assets, HCFB sold its 74.999% shareholding in HC KZ to private individuals identified as related parties of the Group. The registration of the share transfer with the Kazakh regulatory authority was completed on 23 May 2022.

In addition, HCFB granted a call option on the remaining 25.001% shareholding in HC KZ to parties related to the Group. The call option was executed during the second half of 2022 and Kazakh regulatory authority approval for this transfer was obtained in December 2022.

B.2.1.2. Accounting consequences

On 22 August 2022, the Group entered into an agreement for the accelerated sale of the remaining 49.5% share in HCFB, HC Ins and Kupi for a total purchase price of approximately RUB 9.1 billion (approx. EUR 150 million). The sale was accelerated through replacing each of Russian individual investors who had been parties to Phase 1 of the transaction by HCFB as the purchaser of the remaining shares.

In relation to HCFB, Phase 2 was completed with the registration of the transfer of 49.5% of the HCFB shares with the local authorities on 24 August 2022. The purchase price payment relating to the transfer of 49.5% of the HCFB shares was settled by the end of 2022.

The transfer of 49.5% of shares in Kupi was registered on 24 October 2022. The transfer of 49.5% of shares in HC Ins and the payment of the related purchase price is expected to be completed within the forthcoming months and upon obtaining all requisite Russian regulatory approvals after 31 December 2022.

For the year ended 31 December 2022, the Russian entities are classified as discontinued operations and consolidated until the Group lost the control over them on 16 June 2022. Comparative figures have been restated accordingly. The financial performance and cash-flows relating to the discontinued operations of the Russian entities are presented below in B.2.1.3).

The Group retained its control over HC KZ throughout the duration of the whole transaction. Until the moment of launching the transaction, the Group held control over HC KZ through its indirect 100% interest in HCFB. As at 31 December 2022, as a result of Phase 1 and execution of the call option by the related parties to the Group, the Group holds no legal ownership interest in HC KZ. However, a 100% legal ownership interest is held by individuals related to the Group. PPF Financial Holdings a.s. provided funding for these individuals to purchase their interests in HC KZ and granted them with put options to sell their interests in HC KZ with a fixed strike price (the Group recognised a financial liability measured at FVTPL). The individuals should repay these loans from the considerations received from the potential future sales of their interests in HC KZ.

These factors and other contract parameters were considered to conclude that the Group is still indirectly exposed to risks and related variable returns implying the retention of control over HC KZ.

B.2.1.3. Loss on sale of HCFB and other Russian entities (discontinued operations)

The impact of the sale of Russian entities recognised in these consolidated financial statements is summarised in the following tables:

In millions of EUR

Direct ownership sold*	100%
Consideration received in cash (sale price)	532
Fair value of the remaining 49.5% share in HC Ins (classified as HFS)	2
Net asset value disposed	(1,122)
where:	
Accumulated translation losses until loss of control relating to these foreign operations (reclassified from equity to profit or loss)	_(490)_
AT1 subordinated bond	_181_
Total net loss on sale	(897)

The following table summarises the impact of the sale of the above Russian entities (both phases) on the Group's cash position:

In millions of EUR

Consideration received in cash (sale price) [a]	532
Cash and cash equivalents disposed [b]	455
Net cash inflow [a-b]	77

The following table summarises the assets and liabilities of the Russian entities when the Group lost control:

In millions of EUR

	HCFB	Other Russian entities	Russian entities in total
Cash and cash equivalents	444	11	455
Investment securities and derivatives	117	3	120
Loans and receivables due from banks and other financial institutions	44	7	51
Loans due from customers	2,731	115	2,846
Current tax assets	29	2	31
Property, plant and equipment	78	-	78
Other intangible assets	63	15	78
Deferred tax assets	94	4	98
Other assets	157	39	196
Total assets	**3,757**	**196**	**3,953**
Due to non-banks	(2,291)	(1)	(2,292)
Due to banks	(85)	(43)	(128)
Debt securities issued	(187)	(90)	(277)
Deferred tax liabilities	-	(3)	(3)
Provisions	(13)	(33)	(46)
Other liabilities	(75)	(10)	(85)
Total liabilities	**(2,651)**	**(180)**	**(2,831)**
Net assets value	**1,106**	**16**	**1,122**

Discontinued operations

As described above, the Russian entities' operations presented in the reporting segment (refer to Section D) as a part of the CIS region were classified as discontinued operations in these consolidated financial statements. The results of the discontinued Russian operations are presented below:

In millions of EUR, for the year ended 31 December

	2022*	2021
Interest income	211	419
Interest expense	(78)	(104)
Net interest income	**133**	**315**
Fee and commission income	40	118
Fee and commission expense	(26)	(70)
Net fee and commission income	**14**	**48**
Net earned premiums	7	20
Net insurance benefits and claims	(1)	(2)
Acquisition costs	(1)	(4)
Net insurance income	**5**	**14**
Net gains/(losses) on financial assets/liabilities	(7)	-
Other income	-	-
TOTAL OPERATING INCOME	**145**	**377**
Net impairment losses on financial assets	(102)	(36)
Personnel expenses	(63)	(132)
Depreciation and amortisation	(9)	(19)
Other operating expenses	(42)	(53)
Share of profit of equity accounted investees, net of tax	2	6
PROFIT BEFORE TAX	**(69)**	**143**
Income tax expense	14	(28)
NET PROFIT FROM DISCONTINUED OPERATIONS	**(55)**	**115**

*until date of sale in Phase 1 (refer to B.2.1.1)

Net cash flows incurred by discontinued Russian operations:

In millions of EUR, for the year ended 31 December

	2022*	2021
Cash flows used in operating activities	(182)	(498)
Cash flows from investing activities	316	530
Cash flows from/(used in) financing activities	(5)	3
Net cash flow from discontinued operations	**129**	**35**

*until date of sale in Phase 1 (refer to B.2.1.1)

B.2.2. Sale of Asian Home Credit businesses (held for sale)

Through its Home Credit subsidiaries, the Group on 23 November 2022 entered into agreements for the sale of a 100% share in Home Credit Philippines (HC Consumer Finance Philippines, Inc.) and an 85% share in Home Credit Indonesia PT. The transaction will be undertaken with a consortium of Mitsubishi UFJ Financial Group ("MUFG") affiliates and led by Krungsri Bank, a leading Thai institution. The sales are subject to the customary regulatory approvals. The transactions are expected to close approximately in the middle of 2023 for the Philippines, and by the end of 2023 for Indonesia. The value of the transactions amounts to approx. EUR 615 million. The assets and liabilities of the Asian Home Credit businesses are classified as held for sale (refer to E.7).

B.2.3. MONETA transaction and assets classified as held for sale (2022/2021)

B.2.3.1. Acquisition of significant influence (in 2021)

On 21 January 2021, MONETA Money Bank a.s. (a Czech listed company, "MONETA"), announced that from PPF Group's subsidiary Tanemo a.s. it had received 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 31 December 2021, Tanemo held 153 million shares representing a 29.94% stake in MONETA.

As at 31 December 2021, in the Group's consolidated accounts, the investment in MONETA was accounted for using the equity method. The consolidated income statement included the share of MONETA's financial performance after the Group acquired significant influence over MONETA on 16 April 2021.

In accordance with IFRS 3, the Group prepared a purchase price allocation exercise (PPA) to identify the fair value of the Group's share on the net assets acquired with the acquisition of the significant influence.

The following table summarises MONETA's fair values of assets and liabilities determined as at the Group's acquisition of the significant influence. The below assets and liabilities are not recognised in the Group's consolidated figures directly, and only the Group's share on MONETA's net assets is presented in the equity-accounted investees balance in the consolidated statement of financial position:

In millions of EUR, as at 16 April 2021	
Fair value of assets (excluding goodwill)	12,446
Fair value of liabilities	11,140
Fair value of identifiable net assets (100%)	1,306

Goodwill arising from the acquisition has been recognised and presented with the equity-accounted investees' carrying amount, due to the excess of the purchase price over the Group's share on the fair value of net assets:

In millions of EUR	
Effective ownership (originally acquired)	28.39%
Fair value of identified net assets (100%)	1,306
Fair value of identified net assets attributable to the Group's share	370
Total consideration	443
Goodwill (included in equity-acc. investee's carrying amount at acquisition)	73

B.2.3.2. Framework Agreement, assets classified as held for sale (in 2021)

On 20 December 2021, MONETA Money Bank, a.s. ("MONETA") announced that its general meeting approved the acquisition of shares in Air Bank a.s. ("AB") and the Czech and Slovak

Home Credit ("HCAS" and "HCS", respectively). The general meeting granted its approval for MONETA to enter as the purchaser into following agreements:

- the share purchase agreement with Home Credit N.V. ("HCNV"), acting as the seller, under which MONETA will acquire from HCNV the ownership title to a 100% share in Air Bank a.s. ("AB") and Home Credit Slovakia a.s. ("HCS"); and, simultaneously
- the share purchase agreement with Home Credit International a.s. ("HCI"), acting as the seller, under which MONETA will acquire from HCI the ownership title to a 100% share in Home Credit a.s. ("HCAS").

Total purchase price for the above listed entities amounts to CZK 25.9 billion (approx. EUR 1,041 million). The resolution of MONETA's general meeting will be automatically cancelled in the case the above share purchase agreements are not entered into until 20 April 2023.

B.2.3.3. Termination agreement, assets re-classified from held for sale (in 2022)

On 31 May 2022, the Group announced that it signed an agreement with MONETA to terminate the process of combining the assets of Air Bank Group with MONETA. The termination agreement was prompted by macroeconomic changes which radically altered the parameters of the originally planned merger as laid out in the framework agreement signed by the two parties in May 2021 and subsequently updated in November 2021.

As of the agreement on the termination, AB, HCAS and HCS ceased to meet the definition of a disposal group held for sale (having the impact on the comparative consolidated statement of financial position – refer to A.7), and discontinued operations (having the impact on the comparative consolidated statement of income – refer to A.8).

B.2.4. 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 Millennium Tower building owned by the Group, for the future acquisition of the hotel's operations. The closing of this transaction occurred in April 2022 and the purchase price amounted to EUR 6 million. In the meantime, the Group provided the seller with operational bridge financing and a consolidation loan totalling EUR 5 million to settle with the existing minority shareholders.

The acquisition of a hotel's operations resulted in minor goodwill of EUR 3.5 million, representing the value added of the running operating and functioning business in a building situated in an affluent and convenient area in Rotterdam. As from the Group´s perspective, the part of the building with its fair value of EUR 40 million previously and still owned by the Group rented by the hotel business changed its purpose from being previously rented out to currently serving the Group's own operations, this part was appropriately reclassified from investment property to property, plant and equipment and started to be depreciated from that carrying amount. Refer also to E.9.

B.2.5. Acquisition of RTL Croatia

On 1 June 2022, CME Media Enterprises B.V. closed transactions to acquire RTL Croatia (RTL Hrvatska d.o.o.) at a purchase price of EUR 41 million net of cash acquired.

In accordance with IFRS 3, the Group prepared a purchase price allocation exercise to determine the fair value of acquired assets and assumed liabilities, and to potentially identify and determine the fair value of assets and liabilities not previously recognised by the acquired entity. Assets and liabilities denominated in foreign currencies were translated using the exchange rate valid as at the acquisition date. Consequently, the acquired assets and assumed liabilities were restated to their respective fair values. The difference between the allocated purchase price and the fair values of the identified assets and liabilities resulted in the recognition of goodwill.

Key assumptions and valuation approach

As the acquired business is a television broadcaster, the key asset categories were programme rights, and intangible and fixed assets. Major fixed asset categories reported on the balance sheet represented buildings and 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 programming library. The cost approach was applied primarily for equipment and software.

It was concluded that the carrying amounts of current assets, financial assets, and all assumed liabilities represented their respective fair values as at the acquisition date.

The following table summarises the recognised amounts of acquired assets and assumed liabilities, taking into consideration the above:

In millions of EUR, as at 1 June 2022

Fair value of assets acquired (excl. goodwill)	**42**
Property, plant and equipment*	8
Intangible assets (excl. goodwill)	4
Programming assets (rights)	10
Trade and other receivables	15
Cash and cash equivalents	2
Deferred tax assets	3
Fair value of liabilities assumed	**23**
Lease liabilities	5
Trade and other payables	18
Fair value of identifiable net assets	**19**

*incl. right-of-use assets of EUR 5 million

Goodwill arising from the acquisition has been recognised as follows:

In millions of EUR

Total consideration	43
Fair value of identifiable net assets	19
Goodwill	24

Goodwill is attributable to the established position of RTL's business in the relevant market, potential synergies with other Group operations, and the assembled workforce. The recognised goodwill balance is not expected to be deducted for tax purposes.

B.2.6. Other Russian businesses sales

B.2.6.1. Russian real estate sales

During 2022, the Group sold a part of its Russian real estate entities. The sale took effect throughout 2022; however, a significant number of transactions was closed in the first half of 2022 representing sales of LLC Logistika-A LLC, Logistika-Ufa LLC, Skolkovo LLC, Kvartal-Tolyatti LLC, ISK Klokovo LLC (all representing land plots), and Spetsializirovanniy zastroyshchik "Delta-Com" LLC (a residential project under construction) for a total consideration of EUR 26 million. For "Delta-Com" LLC, consideration of RUB 1.3 billion (approx. EUR 13 million) was deferred and not collected by 31 December 2022. The total loss from these first-half-year sales amounted to EUR 70 million (including the impact of accumulated translation losses up to the loss of control relating to these foreign operations, reclassified to profit or loss of EUR 35 million).

During the second half year of 2022, the Group sold its 100% stake in Fantom LLC (a shopping mall in Astrachan), its 100% stake in TK Lipetskiy LLC (a land plot in Lipetsk), its indirect approx. 67% effective stake in Intrust NN CJCS (a land plot in Nizhni Novgorod) and its indirect 60% effective stake in Razvitie LLC and Skladi 104 LLC (warehouses in Moscow) for a total consideration of EUR 93 million. Total loss from the sale of these entities amounted to EUR 55 million (including the impact of accumulated translation gains up to the loss of control relating to these foreign operations, reclassified from equity to profit or loss of EUR 10 million).

Additionally, in October 2022, the Group entered into an agreement for the sale of its 100% share in Comcity Office Holding B.V. and Charlie Com LLC (ComCity office complex project in Moscow) and the acquisition of an insignificant share in a distressed mortgage fund (Imperial Fund) registered in the United States of America, measured at FVOCI. The total value of the transaction amounts to EUR 175 million resulting in a loss of EUR 87 million (including the impact of accumulated translation gains up to the loss of control relating to these foreign operations, reclassified to profit or loss of EUR 24 million). All asset swap steps were finalised by 31 December 2022, except for the registration of Charlie Com LLC transaction in the Russian commercial register, which happened on 3 February 2023). Charlie Com LLC's assets and liabilities are classified as held for sale as at 31 December 2022 (refer to E.7).

The entities sold during 2022 comprised primarily the following items:

In millions of EUR, as at the disposal dates during 2022

Cash and cash equivalents	9
Contract assets	95
Trade and other receivables	11
Loans to corporations	35
Inventories (trading property)	36
Other assets	12
Investment property	818
Loans due to non-banks	(70)
Loans due to banks and other financial institutions	(428)
Provisions (other)	(8)
Trade and other payables	(84)
Current tax liabilities	(8)
Deferred tax liabilities	(62)

B.2.6.2. RAV Group sale (agriculture)

In April 2022, the Group entered into agreement for the sale of its 100% share in RAV Agro group comprising several entities, the most significant ones being RAV Agro LLC and RAV Molokoproduct LLC.

With this disposal in April 2022, the Group lost control over this sub-group and is no longer consolidated. The total profit from the sale of this subgroup amounted to EUR 50 million. The final consideration totalling EUR 62 million was collected in April 2022.

B.2.7. Acquisition of Dream Yacht Group (in 2021)

On 30 September 2021, the Group acquired the majority shareholding in Dream Yacht Group ("DYG") through its subsidiary Blue Sea Holding Srl. The principal activity of DYG is the chartering and sale of boats and cruises. The acquisition has been realised through a capital contribution of EUR 60 million into the share capital of Dream Yacht Group.

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. Given the existence of a put option to the benefit of the minority shareholders and a call option to the benefit of the majority shareholder under the shareholder's agreement, the non-controlling interest was determined at its fair value as at the acquisition date. In connection with these put and call options, IFRS 3 requires goodwill to be recognised based on a 100% ownership (also known as full goodwill). As the put and call options are in place, the Group also recognised a put-option corresponding liability at fair value against a decrease of other reserves in equity of EUR 18 million. This option liability will be subsequently measured at fair value through profit or loss as at each reporting date.

Key assumptions and valuation approach

As the acquired business is a well-established world-spread boat charterer offering various boat rental and on-board services and boat sales, the key asset categories acquired in the acquisition were fixed assets representing notably the boats and equipment, mooring permits and the established brand of the group additionally identified.

Since each asset category has different characteristics, different asset valuation methods were applied. Based on the nature of the assets, for boats a market approach was used. The identified mooring permits were valued using a market approach, the trademark was valued using the relief-from-royalty method. It was concluded that the carrying amounts of other and financial assets as well as all assumed liabilities represent their respective fair values. Additionally, referring to the above paragraphs, the acquisition date non-controlling interest fair value was determined using a multicriteria approach aligned with general professional valuation practices comprising discounted-cash-flows method, multiple approach working with EBITDA, and other special approach considering net financial debt and future cash-flows.

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

In millions of EUR, as at 30 September 2021

Fair value of assets acquired (excluding goodwill)	**338**
Cash and cash equivalents	45
Trade and other receivables	6
Property, plant and equipment	207
Intangible assets	26
Deferred tax assets	2
Other assets	52
Fair value of liabilities assumed	**298**
Due to banks and other financial institutions	65
Lease liabilities	88
Contract liabilities	80
Trade and other payables	49
Deferred tax liability	15
Other liabilities	1
Fair value of identifiable net assets	**40**

Goodwill arising from the acquisition has been recognised as follows:

In millions of EUR, as at 30 September 2021

Effective ownership (direct)	86.86%
Effective ownership (indirectly via Blue Sea Holding Srl)	51.17%
Total consideration	60
Purchase price (cash)	60
Contingent consideration (maximum amount of deferred earn-out)	20
Fair value of contingent consideration	-
Non-controlling interests	18
Fair value of identifiable net assets	40
Goodwill	38

The contingent consideration depends on the specified level of the future performance of the acquired business during a limited future timeframe. As at the acquisition date and 31 December 2022, fair value of this contingent consideration was determined to be nil. The contingent consideration was measured at fair value at acquisition and is measured at fair value through profit or loss, subsequently.

During the three-month period ended 31 December 2021, the consolidated Dream Yacht group contributed revenues of EUR 48 million and loss of EUR 7 million to the Group’s results. If the acquisition had occurred on 1 January 2021, consolidated revenues would have increased by EUR 100 million and loss by EUR 26 million. The acquired business has been recovering from the covid pandemic crisis that halted with an increasing demand for its products and services.

B.2.8. Sale of Telenor Montenegro (in 2021)

In December 2021, the Group sold a 100% stake in Telenor d.o.o. Podgorica (Montenegro) to 4IG Nyrt. For a total consideration of EUR 141 million. Total gain from the sale of the entity amounted to EUR 27 million.

The following table summarises assets and liabilities of Telenor Montenegro when sold:

In millions of EUR

	21 December 2021
Goodwill	42
Property, plant and equipment (incl. right-of-use asset)	45
Intangible assets	25
Other assets	21
Cash and cash equivalent	11
Total assets	**144**
Other liabilities	28
Provisions	2
Total liabilities	**30**
Net assets value	**114**

B.3. Other changes

B.3.1. Increased share in O2 CZ

In June 2021, the Group’s stake in O2 Czech Republic’s (O2 CZ) share capital was increased using reverse accelerated book building for a maximum price of CZK 264 per share. As at 31 December 2021, the Group held a 90.52% stake in O2 CZ.

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

In millions of EUR

Total consideration (approx. CZK 264 per share)	200
Effective ownership acquired from external parties	6.43%
Net asset value attributable to non-controlling interests acquired	(30)
Effect recorded in retained earnings (loss)	(170)

As the holder of more than 90% of the share capital of O2 CZ, the Group initiated a squeeze-out procedure of the remaining holders in O2 CZ through a mandatory tender offer for the shares in this telecommunications operator held by the remaining minority shareholders. The transfer of all shares to the Group was approved by the general meeting of O2 CZ on 26 January 2022. O2 CZ subsequently submitted a request for the delisting of its shares from the Prague Stock Exchange and RM-SYSTÉM (i.e., both Czech stock exchanges). The last trading day of O2 CZ shares was 28 February 2022.

A consideration of CZK 270 per share was paid to the remaining holders of 28.5 million shares (representing the remaining minority shareholders). The settlement process of the liability to the remaining holders started in March 2022.

The following table summarises the financial aspect of the squeeze-out transaction described above:

In millions of EUR

Total consideration (approx. CZK 270 per share)	311
Effective ownership acquired from external parties	9.48%
Net asset value attributable to non-controlling interests acquired*	(23)
Effect recorded in retained earnings (loss)	(288)

*incl. accumulated foreign exchange translation losses from the Group's operations of EUR 37 million

B.3.2. O2 subgroup business restructuring

In April 2022, O2 Slovakia, s.r.o. was sold by O2 CZ to PPF Comco N.V., and subsequently, the infrastructure part of O2 Slovakia, s.r.o. was separated by way of demerger into the newly established O2 Networks, s.r.o. Separating the retail and infrastructure parts of Group businesses is consistent with the structures in the Group's other current telecommunication markets. The direct owner of O2 Networks, s.r.o. is PPF Comco N.V. as at 31 December 2022.

These transactions had no impact on the consolidated financial statements.

B.3.3. Sale of 30% stake in CETIN Group N.V. (closed in 2022)

In October 2021, the Group entered in an agreement with GIC Private Limited ("GIC") to sell its 30% stake in CETIN Group N.V., the sole owner of CETIN CZ, CETIN Bulgaria and CETIN Serbia, and the holder of a 75% stake in CETIN Hungary. After obtaining all regulatory approvals, the transaction was completed in March 2022. GIC became a minority shareholder, the Group maintains its control over CETIN Group N.V.

The following table summarises the financial aspects of this transaction:

In millions of EUR

Effective ownership sold	30.00%
Total consideration received in cash	1,411
Net asset value attributable to non-controlling interests sold	260
Effect recorded in retained earnings (gain)	1,151

Within the above transaction, the PPF Telecom Group B.V. (the direct owner of CETIN Group N.V.) also granted a put option to GIC for its 30% share in CETIN Group N.V. for the fair value of the share as at the exercise date of the option. One of the conditions of the put option may be exercised by GIC should PPF Telecom Group B.V.'s controlling party change without prior approval, as defined in the agreement (incl. the Parent Company and the ultimate controlling party defined in note A.1, hereinafter together as "controlling parties").

The Group is fully capable of avoiding the situations that would allow GIC to exercise the put option, except for the mentioned unapproved change of control (while fully in the power of the Parent Company's ultimate controlling party). Following IFRS guidance (IAS 32), this situation would require the Group to deliver cash or another financial asset because technically, neither the PPF Telecom Group B.V.'s management nor the Parent Company's management can avoid triggering an unapproved change of control over the Parent Company. However, the Parent Company's ultimate controlling party will always consider all effects of an unapproved change of control. Thus, the Group's management considers the exercisability of the put option highly unlikely.

However, even though the above situation is exceedingly unlikely, i.e., the put option is highly improbable to be exercised, IFRS guidance does not define such put option liabilities based on what is likely to happen but instead uses the contractual terms of the agreement. As with the existence of this put option GIC still has access to the returns from the investment in CETIN Group N.V. (such as dividends), applying the present-access method (refer to F.2.1), the Group's conditional commitment to acquire NCI's share was recognised in the consolidated financial statements for year ended 31 December 2022 as a financial liability at net present value with the net present value remeasurements directly through equity attributable to the owners of the Parent.

The initial value of this conditional commitment to acquire NCI's share in March 2022 amounted to EUR 1,411 million. As at 31 December 2022, the net present value of the conditional commitment to acquire NCI's share totalling EUR 850 million was derived from the fair value of the 30% share in CETIN Group N.V. determined by independent valuation experts using a multicriteria approach aligned with general professional valuation practices comprising the discounted-cash-flows method and market multiples of comparable companies. For the year ended 31 December 2022, a remeasurement gain of EUR 561 million from the decrease in the net present value of the conditional commitment to acquire NCI's share was recognised in the reserve for puttable instruments in the equity attributable to the owners of the Parent.

The other conditions related to the put option granted to GIC, are fully under the control of the Group's management, and no liability recognition is required.

B.3.4. Sale of Mall Group (closed in 2022)

In November 2021, the Group, together with its partners entered into agreement for the sale of 100% of Mall Group (as at 31 December 2021, the Group held a 40% stake) to Allegro.pl. The closing was subject to the approval by the appropriate antitrust authorities. The consideration for the sale was concluded as a cash consideration plus a non-cash consideration in the form of shares in Allegro. The closing finally became effective in April 2022, and the cash consideration amounting to EUR 225 million and the consideration in newly issued Allegro shares (10,023,118 pieces) valued at EUR 122 million (in November 2021) were collected by the Group in April 2022 as well. The net impact of the transaction on the Group's results was a total net profit of EUR 273 million, where the profit from the sale of the associate amounted to EUR 347 million and, in connection with the consideration received in the newly issued Allegro shares, the Group incurred a loss of EUR 74 million presented under net trading income from derivatives in E.27. As at 31 December 2021, the carrying amount of the investment in Mall Group was classified as assets held for sale.

B.3.5. Toll services in the Czech Republic and Slovakia

In March 2022, the Group announced its intention to acquire SkyToll (electronic toll systems operator in Slovakia), TollNet (technology company), and PaySystem (supplier of payment solutions for carriers) and combine these companies under a newly established ITIS Holding a.s., classified as a joint venture. ITIS Holding became the 100% shareholder of CzechToll and SkyToll, TollNet, and PaySystem. On 31 August 2022, following the approval of the transaction by the antimonopoly offices in the Czech Republic and Slovakia, the transaction was finalised. By the finalisation date, the Group was the sole shareholder of CzechToll, the operator of a satellite toll system in the Czech Republic from 1 December 2019.

With the formation of this new holding, in August 2022, the Group lost its control over CzechToll as this subsidiary was sold to ITIS Holding for a deferred consideration amounting to EUR 20 million with a gain on sale of EUR 8 million. The assets and liabilities of CzechToll, when disposed, totalled EUR 106 million and EUR 94 million, respectively, and represented primarily trade receivables and trade payables. For details on the financial figures of ITIS Holding refer to E.8.

B.3.6. Partial sale of a share in LEAG JV (held-for-sale)

By the end of 2022, the Group and its joint venture partner were in negotiations on the sale of the Group's 20% share in LEAG joint-venture investment, and the Group classified this 20% share in the joint-venture as held-for-sale as at 31 December 2022. The carrying amount of the 20% share amounted to EUR 435 million (out of the Group's total 50% shareholding with a carrying amount of EUR 1,087 million, refer to E.7 and E.8). The closing of this transaction is expected during 2023 and is subject to regulatory approvals.

B.3.7. Arrangements between Home Credit shareholders

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

Under the Agreement, the parties agreed on the following arrangements valid as of 31 December 2022:

PPF Financial Holdings and Emma Omega have agreed that PPF Financial Holdings will sell to Emma Omega a 2.5% shareholding interest in Home Credit Group at the nominal value of a share if PPF Financial Holdings is able to achieve a pre-agreed internal rate of return on its investment in Home Credit Group calculated for the period (a) from 31 December 2018 until 31 December 2023 if Home Credit is not listed, and (b) from the Home Credit listing date until 31 December 2023. Based on the market situation as of 31 December 2022 the fulfilment of the conditions is not probable, therefore the Agreement's value is currently valued to nil.

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

B.3.8. Sale of NBE-Therapeutics (in 2021)

In January 2021, the Group finalised the sale of its 26% stake in NBE-Therapeutics AG, a Swiss biotech company developing therapies for the treatment of solid tumours. The profit from the sale amounted to EUR 137 million and is recognised under profit/(loss) on disposals/liquidations of equity-accounted investees and subsidiaries.

B.3.9. Acquisition of Planeo Elektro (FAST Group in 2021)

In June 2021, the Group together with other partners signed an agreement for the acquisition of Planeo Elektro, a Czech-based consumer electronic wholesale and retail group operating in the Czech Republic, Slovakia, Hungary and Poland. The closing of the transaction was subject to antimonopoly approval that was obtained in September 2021. With effect from 9 November 2021, the Group, via a capital contribution of EUR 8 million to an intermediary equity-accounted holding company, indirectly acquired a 40% stake in Planeo Elektro classified as an associate. The Group consolidates this associate using the equity method.

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.

As at 31 December 2022, all disclosures with the financial figures in this whole C section show figures solely for the part of the Group, that is not classified as held-for-sale as at 31 December 2022. The relevant disclosures for the part of the Group classified as held-for-sale are presented in Note E.7. Additionally, in the last published annual consolidated financial statements, financial services CEE exposures were presented as held-for-sale as at 31 December 2021, however, as described in B.2.3, these exposures are no longer classified as held-for-sale and the comparative figures as at 31 December 2021 in this whole C section were restated accordingly (refer to A.7).

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.

For its consumer finance and corporate banking business in PPF Financial Holdings subgroup represented by Home Credit (including Air Bank), PPF banka, Home Credit Bank, and Mobi Banka, the Group established the group risk committee and mandated it to assist the board of directors in the risk management area. The group risk committee is headed by the chief risk officer of PPF Financial Holdings and includes chief risk officers of Air Bank, PPF banka, and Home Credit Group. The group risk committee designs and implements the risk management framework and regularly monitors the risk development in detail. The group risk committee prepares the main risk management internal regulations such as the group risk appetite statement, the group limit book, the group risk management strategy, the internal capital adequacy assessment framework, and the internal liquidity assessment framework, which are ultimately approved by the board of directors of PPF Financial Holdings. The group risk committee also approves the counterparty exposure limits for the largest counterparties. The whole risk management system is subject to the oversight by the supervisory board of PPF Financial Holdings.

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.

All subsidiary banks established the function of chief risk officer who heads 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 associates are determined by the controlling shareholder(s) and/or other major shareholders. The Group regularly monitors and analyses the situation at said associates 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 used by the Group 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, of which 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).

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 used by the Group are interest rate and cross-currency interest rate 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. Cross-currency swaps require an exchange of interest payment flows and capital amounts in different currencies. The Group is subject to credit and liquidity 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. Forwards and futures

Forwards and futures 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. Forwards and futures 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 as a result of default by a borrower or counterparty on their obligation 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 CZ, O2 Slovakia and Yettel 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 Home Credit Group’s loan portfolio consists of a large number of loans with relatively low outstanding amounts.

For Home Credit Group credit risk management the board of directors uses 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.

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. 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.

Home Credit Group operates its business in multiple geographies. Some of them suffered economic downturns in recent years. Home Credit 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.

The Kazakh bank applies identical principles as those above described for Home Credit Group.

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.

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 2022 and 2021 below and in the whole C section exclude the fair value hedge adjustments of negative EUR 129 million for bonds at amortised cost presented under Investment securities (2021: negative EUR 84 million) (refer to C.4.4):

In millions of EUR, as at 31 December

	2022	2022	2021	2021
Economic concentration				
Households/individuals	7,269	28.65%	11,928	42.92%
Financial services	10,387	40.94%	9,883	35.56%
Corporate sector	2,592	10.22%	1,910	6.87%
Public sector	4,252	16.76%	3,089	11.12%
Construction and real estate	522	2.06%	547	1.97%
Mechanical engineering	226	0.89%	375	1.35%
Other	123	0.48%	57	0.21%
Total	**25,371**	**100.00%**	**27,789**	**100.00%**
Geographic concentration				
Czech Republic	16,614	65.48%	14,000	50.38%
Vietnam	1,326	5.23%	1,071	3.85%
Kazakhstan	1,114	4.39%	1,004	3.61%
Slovakia	858	3.38%	511	1.84%
China	740	2.92%	2,781	10.01%
Cyprus	537	2.10%	523	1.88%
Serbia	367	1.45%	306	1.10%
United Kingdom of Great Britain and Northern Ireland	298	1.17%	256	0.92%
Russia	290	1.14%	4,337	15.61%
Netherlands	113	0.45%	101	0.36%
Other EU countries	1,875	7.39%	1,193	4.29%
Other	1,239	4.90%	1,706	6.15%
Total	**25,371**	**100.00%**	**27,789**	**100.00%**
Of which:				
Loans due from customers	8,213	32.37%	11,732	42.22%
Cash and cash equivalents (excl. cash on hand)	8,383	33.04%	7,454	26.82%
Investment securities and trading derivatives*	5,050	19.91%	4,368	15.72%
Loan commitments and guarantees (off-balance sheet)	1,547	6.10%	1,748	6.29%
Trade and other receivables and other financial assets**	1,255	4.95%	1,285	4.62%
Loans and receivables due from banks and other financial institutions	379	1.49%	835	3.00%
Contract assets	371	1.46%	260	0.94%
Hedging derivatives	173	0.68%	107	0.39%

*excl. equity securities, positive fair values of hedging derivatives (being presented in a separate row in the above table), and FV hedge adjustments (refer to C.4.4)

**Other financial assets represent cash collateral for payment cards, specific deposits and receivables and receivables from sale of shares in subsidiaries, associates and JVs totalling EUR 76 million (2021: EUR 97 million), refer to E.12. In the consolidated statement of financial position presented as other assets.

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 expected losses, if any, that are included in the allowance for un-collectability. The table comprises off-balance sheet items (refer to E.41.1) and financial assets, except for 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 2022 (excl. held-for-sale presented in E.7)

Loan exposure	Loans due from customers*	Loans and receivables due from banks and other financial institutions
Gross amount	8,968	379
Stage 1	6,930	379
Stage 2	1,302	-
Stage 3	736	-
Loss allowance	(781)	-
Carrying amount	**8,187**	**379**

*excluding cash collateral for derivative instruments of EUR 25 million (applies hereinafter in this section)

In millions of EUR, as at 31 December 2021

Loan exposure	Loans due from customers*	Loans and receivables due from banks and other financial institutions
Gross amount	12,957	835
Stage 1	9,836	835
Stage 2	1,914	-
Stage 3	1,207	-
Loss allowance	(1,233)	-
Carrying amount	**11,724**	**835**

*excluding cash collateral for derivative instruments of EUR 6 million (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 these transactions are conducted at arm's length.

In millions of EUR, as at 31 December 2022 (excl. held-for-sale presented in E.7)

Fair value of collateral received for loans and receivables	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	1,878	8	-	-
Deposits with banks	13	-	-	-
Equity securities	207	-	-	-
Other	278	15	-	-
Total collateral received	**2,376**	**23**	**-**	**-**

In millions of EUR, as at 31 December 2021

Fair value of collateral received for loans and receivables	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	1,504	38	-	-
Deposits with banks	15	-	-	-
Securities received under reverse repo	-	-	474	-
Equity securities	230	-	-	-
Other	276	16	-	-
Total collateral received	**2,025**	**54**	**474**	**-**

The Group also received collateral for reverse repo operations with central and commercial banks as follows:

In millions of EUR (2022: excl. held-for-sale presented in E.7)

Fair value of collateral received for reverse repo operations	31 December 2022	31 December 2021
For receivables from reverse repo operations classified as:		
Cash and cash equivalents	6,924	5,944
Financial assets at FVTPL - trading	179	427
Total*	**7,103**	**6,371**

*of which repledged or sold EUR 3,840 million (2021: EUR 3,634 million), refer to E.38

The total value of assets held as collateral is EUR 9,690 million (2021: EUR 9,096 million) and consists of the collateral stated above (2022: EUR 9,502 million; 2021: EUR 8,955 million) plus collateral in the form of guarantees received (2022: EUR 188 million; 2021: EUR 141 million).

No collateral was held for trade and other receivables in 2022 and in 2021. For a detailed credit quality overview of financial assets, refer to E.2-E.5.

The net realisable value of the collateral assessed by the Group is usually based on an opinion prepared by a valuation expert. The net realisable value of the collateral is determined considering this value, the exposure collateralised, a coefficient reflecting the Group’s ability to realise the collateral when becomes enforceable, and the time factor of such a realisation.

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 2022 (excl. held-for-sale)

	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	8,500	-	-	-	-	8,500
Investment securities and derivatives	231	863	377	1,620	2,132	5,223
Financial assets at FVTPL*	204	128	91	585	653	1,661
Financial assets FVOCI*	18	215	211	465	342	1,251
Financial assets at AC	9	520	75	570	1,137	2,311
Loans and receivables due from banks and other financial institutions	360	13	1	2	3	379
Loans due from customers	1,729	2,049	1,809	2,125	501	8,213
Trade and other receivables**	976	436	125	50	74	1,661
Total financial assets	**11,796**	**3,361**	**2,312**	**3,797**	**2,710**	**23,976**

*excl. equity instruments (refer to E.2.1 and E.2.3 for FVTPL and FVOCI, respectively)
**incl. cash collateral for payment cards and other financial assets (presented as other assets in the consolidated statements of financial position), refer to E.12

In millions of EUR, as at 31 December 2022 (excl. held-for-sale)

	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
Conditional commitment to acquire NCI´s share	-	850	-	-	-	850
Financial liabilities at FVTPL	125	65	70	553	487	1,300
Due to non-banks	12,482	597	37	90	1	13,207
Due to banks and other financial institutions	1,538	1,412	484	2,866	252	6,552
Debt securities issued	151	821	785	2,235	-	3,992
Subordinated liabilities	-	-	-	-	44	44
Trade and other payables*	1,103	212	9	23	44	1,391
Lease liabilities**	36	103	127	261	133	660
Total financial liabilities	**15,435**	**3,210**	**1,512**	**6,028**	**961**	**27,146**

*excl. tax and other non-financial liabilities
**presented under trade and other payables in the consolidated statement of financial position, refer to E.18

Net liquidity position 2022	**(3,639)**	**151**	**800**	**(2,231)**	**1,749**	**(3,170)**

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 2021

	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	7,604	-	-	-	-	7,604
Investment securities and derivatives	523	216	785	781	2,170	4,475
Financial assets at FVTPL*	484	86	79	123	778	1,550
Financial assets FVOCI*	25	48	221	369	548	1,211
Financial assets at AC	14	82	485	289	844	1,714
Loans and receivables due from banks and other financial institutions	759	63	13	-	-	835
Loans due from customers	2,667	3,872	2,368	2,336	489	11,732
Trade and other receivables**	1,043	299	117	41	68	1,568
Total financial assets	**12,596**	**4,450**	**3,283**	**3,158**	**2,727**	**26,214**

*excl. equity instruments (refer to E.2.1 and E.2.3 for FVTPL and FVOCI, respectively)
**incl. cash collateral for payment cards and other financial assets (presented as other assets in the consolidated statements of financial position), refer to E.12

In millions of EUR, as at 31 December 2021

	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	28	63	80	247	662	1,080
Due to non-banks	11,030	1,275	337	37	1	12,680
Due to banks and other financial institutions	2,076	3,314	1,609	4,301	53	11,353
Debt securities issued	126	451	637	1,832	495	3,541
Subordinated liabilities	-	-	-	-	200	200
Trade and other payables*	1,230	301	9	12	33	1,585
Lease liabilities**	39	106	139	291	132	707
Total financial liabilities	**14,529**	**5,510**	**2,811**	**6,720**	**1,576**	**31,146**

*excl. tax and other non-financial liabilities
**presented under trade and other payables in the consolidated statement of financial position, refer to E.18

Net liquidity position 2021	**(1,933)**	**(1,060)**	**472**	**(3,562)**	**1,151**	**(4,932)**

The net liability position in 2022 and 2021 reflects the fact that the Group finances the previous acquisitions of its significant investments (CME group in 2020, Telenor assets in 2018, O2 CZ/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 2022 (excl. held-for-sale)

	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	12,500	615	38	92	4	13,249
Due to banks and other financial institutions	1,626	1,590	645	3,038	265	7,164
Debt securities issued	233	935	878	2,355	-	4,401
Subordinated liabilities	-	2	3	8	48	61
Trade and other payables*	1,110	220	10	23	49	1,412
Lease liabilities**	48	135	169	326	178	856
Loan commitments (off-balance sheet)	780	74	18	45	3	920
Payment guarantees provided (off-balance sheet)	11	556	7	7	(1)	580
Total	**16,308**	**4,127**	**1,768**	**5,894**	**546**	**28,643**

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

In millions of EUR, as at 31 December 2021

	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	11,043	1,314	349	44	5	12,755
Due to banks and other financial institutions	2,196	3,553	1,791	4,500	64	12,104
Debt securities issued	165	534	740	1,982	511	3,932
Subordinated liabilities	-	11	12	37	216	276
Trade and other payables*	1,233	304	10	12	36	1,595
Lease liabilities**	45	121	155	322	159	802
Loan commitments (off-balance sheet)	827	132	693	28	4	1,684
Payment guarantees provided (off-balance sheet)	3	3	24	1	-	31
Total	**15,512**	**5,972**	**3,774**	**6,926**	**995**	**33,179**

*excl. tax and other non-financial liabilities
**presented under trade and other payables in the consolidated 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 2022 (excl. held-for-sale)

	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	(575)	(4,523)	(1,446)	(4,480)	(4,713)	(15,737)
Currency derivatives held for trading	(3,668)	(2,524)	(1,660)	(280)	-	(8,132)
Hedging derivatives	(152)	(167)	(143)	(11)	(8)	(481)
Inflows						
Interest rate derivatives held for trading	579	4,526	1,448	4,470	4,709	15,732
Currency derivatives held for trading	3,643	2,510	1,642	276	-	8,071
Hedging derivatives	155	181	160	29	35	560
Net position 2022	**(18)**	**3**	**1**	**4**	**23**	**13**

In millions of EUR, as at 31 December 2021

	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	(551)	(4,407)	(3,208)	(3,478)	(8,221)	(19,865)
Currency derivatives held for trading	(3,070)	(2,428)	(1,103)	(210)	-	(6,811)
Hedging derivatives	(53)	(211)	(267)	(113)	(130)	(774)
Inflows						
Interest rate derivatives held for trading	550	4,406	3,208	3,478	8,217	19,859
Currency derivatives held for trading	3,065	2,431	1,105	199	-	6,800
Hedging derivatives	57	231	290	138	143	859
Net position 2021	**(2)**	**22**	**25**	**14**	**9**	**68**

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 assets and 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.13) 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 200-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 2022 would be approximately EUR 214 million higher/lower (2021: EUR 271 million) and the revaluation reserve in equity would be EUR 40 million higher/ 72 lower (2021: EUR 33 million higher / EUR 45 million lower).

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 2022 (excl. held-for-sale)

	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	6.02%	8,500	-	-	-	-	8,500
Investment securities	3.74%	203	1,410	165	979	1,541	4,298
Financial assets at FVTPL	3.93%	145	171	5	199	216	736
Financial assets at FVOCI*	5.72%	48	676	86	253	188	1,251
Financial assets at AC	2.61%	10	563	74	527	1,137	2,311
Loans and receivables due from banks and other financial institutions	5.23%	360	13	1	2	3	379
Loans due from customers	15.29%	2,184	2,254	1,606	1,973	196	8,213
Trade and other receivables**	-	1,019	436	125	51	30	1,661
Total financial assets		**12,266**	**4,113**	**1,897**	**3,005**	**1,770**	**23,051**

*excl. equity instruments (refer to E.2.3)
**incl. cash collateral for payment cards and other financial assets (presented as other assets in the consolidated statements of financial position), refer to E.12

In millions of EUR, as at 31 December 2022 (excl. held-for-sale)

	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	2.21%	102	78	19	309	131	639
Due to non-banks	3.15%	12,605	580	12	9	1	13,207
Due to banks and other financial institutions	5.94%	4,064	887	289	1,269	43	6,552
Debt securities issued	4.48%	151	874	785	2,182	-	3,992
Subordinated liabilities	5.76%	32	12	-	-	-	44
Trade and other payables*	-	1,103	216	9	23	40	1,391
Lease liabilities**	3.62%	36	103	127	261	133	660
Total financial liabilities		**18,093**	**2,750**	**1,241**	**4,053**	**348**	**26,485**

*excl. tax and other non-financial liabilities
**presented under trade and other payables in the consolidated statement of financial position, refer to E.20

Effect of interest rate derivatives		**238**	**21**	**(29)**	**(89)**	**(141)**	**-**
Net position 2022		**(5,589)**	**1,384**	**627**	**(1,137)**	**1,281**	**(3,434)**

In millions of EUR, as at 31 December 2021

	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	2.99%	7,604	-	-	-	-	7,604
Investment securities	2.68%	507	983	239	645	1,391	3,765
Financial assets at FVTPL	3.02%	451	124	-	6	259	840
Financial assets at FVOCI*	3.86%	42	336	154	350	329	1,211
Financial assets at AC	1.68%	14	523	85	289	803	1,714
Loans and receivables due from banks and other financial institutions	6.21%	771	63	1	-	-	835
Loans due from customers	17.49%	3,415	4,088	2,243	1,758	228	11,732
Trade and other receivables**	0.59%	1,082	299	118	41	28	1,568
Total financial assets		**13,379**	**5,433**	**2,601**	**2,444**	**1,647**	**25,504**

*excl. equity instruments (refer to E.2.3)
**incl. cash collateral for payment cards and other financial assets (presented as other assets in the consolidated statements of financial position), refer to E.12

In millions of EUR, as at 31 December 2021

	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%	2	2	21	133	287	445
Due to non-banks	3.51%	11,030	1,275	337	37	1	12,680
Due to banks and other financial institutions	5.00%	5,386	3,008	915	2,012	32	11,353
Debt securities issued	4.33%	126	451	637	1,832	495	3,541
Subordinated liabilities	5.63%	17	170	-	-	13	200
Trade and other payables*	0.24%	1,230	300	10	12	33	1,585
Lease liabilities**	3.09%	39	106	139	291	132	707
Total financial liabilities		**17,830**	**5,312**	**2,059**	**4,317**	**993**	**30,511**

*excl. tax and other non-financial liabilities
**presented under trade and other payables in the consolidated statement of financial position, refer to E.18

Effect of interest rate derivatives	**160**	**135**	**15**	**(159)**	**(151)**	**-**
Net position 2021	**(4,291)**	**256**	**557**	**(2,032)**	**503**	**(5,007)**

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, the US and Asian countries in which the Group operates. Its exposures are measured mainly in Czech crowns, US dollars, Chinese yuan, Russian roubles, Hungarian forints, Kazakhstani tenges and Indian rupees. 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 2022 (excl. held-for-sale)

	EUR	CZK	CNY	RUB	VND	KZT	USD	INR	BGN	HUF	RSD	Other	Total
Net investment in foreign operations	(2,715)	6,849	(227)	51	410	268	169	480	626	987	829	679	8,406

In millions of EUR, as at 31 December 2021

	EUR	CZK	CNY	RUB	VND	KZT	USD	INR	BGN	HUF	RSD	Other	Total
Net investment in foreign operations	(1,067)	5,309	574	1,529	185	367	166	491	598	849	803	693	10,497

The Group's transactional exposures give rise to foreign currency gains and losses that are recognised in the consolidated statement of income. 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:

In millions of EUR, as at 31 December 2022 (excl. held-for-sale)

	EUR	USD	CZK	INR	GBP	PLN	KZT	HUF	Other	Total
Financial assets	2,310	667	212	10	132	130	-	19	273	3,753
Financial liabilities	2,145	661	56	-	42	1	-	6	100	3,011
Effect of FX derivatives	(486)	332	-	(318)	124	(183)	(51)	(13)	21	(574)
Net FX position	**(321)**	**338**	**156**	**(308)**	**214**	**(54)**	**(51)**	**-**	**194**	**168**

In millions of EUR, as at 31 December 2021

	EUR	USD	CZK	INR	GBP	PLN	KZT	HUF	Other	Total
Financial assets	1,451	755	212	11	122	25	-	25	253	2,829
Financial liabilities	3,264	649	91	-	33	1	-	-	121	4,158
Effect of FX derivatives	(431)	117	(221)	(332)	27	(185)	(48)	(33)	(148)	(1,069)
Net FX position	**(2,244)**	**223**	**(100)**	**(321)**	**116**	**(161)**	**(48)**	**(8)**	**(16)**	**(2,398)**

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 2022 and 2021 and a simplified scenario of a 5% change in CZK, USD, RUB, KZT, GBP, HUF and INR to EUR exchange rates:

In millions of EUR, as at 31 December 2022

	CZK	USD	RUB	KZT	GBP	HUF	INR
Effect of 5% currency depreciation against EUR	(350)	(25)	(2)	(10)	(19)	(49)	(9)
Effect of 5% currency appreciation against EUR	350	25	2	10	19	49	9

In millions of EUR, as at 31 December 2021

	CZK	USD	RUB	KZT	GBP	HUF	INR
Effect of 5% currency depreciation against EUR	(260)	(19)	(76)	(16)	(12)	(42)	(9)
Effect of 5% currency appreciation against EUR	260	19	76	16	12	42	9

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 financial derivative instruments are used for this purpose, including interest rate swaps and currency swaps, options, forward contracts and other financial 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 applies hedge accounting to better align the internal risk management for interest rate driven changes in fair value of certain bonds with external reporting (applied for certain corporate loans, see further below). The hedge of the government bonds is either a hedge of a single bond issue, or a hedge of a group bond issues (micro hedge).

The hedged government bonds carry fixed interest rates.

The common objective of the bonds hedging 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 in each reporting period (for bonds, was for corporate loans). The hedge effectiveness is measured for each hedge relationship separately with application of the dollar offset method. The hedge ineffectiveness might result from imperfect matching of the hedging instruments with the hedged items (volumes, timing of cash flows).

For the year ending 31 December 2022 and 31 December 2021, all continuing micro fair value hedges were assessed as effective being in the range of 80-125%. A total loss of EUR 3 million from the hedge ineffectiveness is presented in the consolidated income statement under net gains/losses on financial assets/liabilities caption (2021: loss of EUR 3.5 million).

During the first half of 2021, the Group decided to terminate several micro hedge relationships, due to a change in the Group's risk management strategy. All discontinued micro fair value hedges were assessed as effective being in the range of 80-125% until the discontinuation date.

Discontinued micro hedge relationships were following:

- Corporate loans with effective date of discontinuance of 31 May 2021 due to repayment. The related cumulative fair value adjustment was released in full in the consolidated statement of income due to its insignificance.
- Government bonds with effective date of discontinuance of April and May 2021, because of a planned termination of the connected hedging instruments (interest rate swaps). The related cumulative fair value hedge adjustment started to be amortised since 1 May 2021 in the consolidated statement of income applying the effective interest rate method.

C.4.4.1. 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 2022

Fair value hedges (interest rate risk)	Notional amount of the hedging instruments	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.13)		
Interest rate swaps	660*	115	(3)	Investment securities and derivatives --- Financial liabilities at FVTPL	(46)

*approx. CZK 15,381 million

In millions of EUR, as at 31 December 2021

Fair value hedges (interest rate risk)	Notional amount of the hedging instruments	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.13)		
Interest rate swaps	415*	67	(2)	Investment securities and derivatives --- Financial liabilities at FVTPL	(82)

*approx. CZK 10,265 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 2022

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
Bonds (refer to E.2.2)	707	(129)	Investment securities and derivatives	43
Total	**707**	**(129)**		**43**

In millions of EUR, as at 31 December 2021

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
Bonds (refer to E.2.2)	409	(84)	Investment securities and derivatives	78
Total	**409**	**(84)**		**78**

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 2022

	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	-	-	91	138	431	660
Average interest rate	-	-	13.05%	11.44%	3.27%	-

In EUR million, as at 31 December 2021

	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	-	-	-	4	411	415
Average interest rate	-	-	-	0.6%	4.14%	-

The total notional amount of the interest rate swaps used as the hedging instruments for the discontinued fair value micro hedge relationships (discontinued during 2021) amounted to CZK 5,610 million (approx. EUR 226 million) at the moment of discontinuation. The related changes in fair values used for calculating hedge ineffectiveness during the year 2021 resulted in a loss of EUR 1.5 million. As at 31 December 2022, the unamortised FV hedge adjustment relating to the discontinued fair value hedge relationships amounted to negative EUR 3 million (2021: negative EUR 3 million).

The Phase 2 amendments of IBOR reform provide a series of temporary exceptions from certain hedge accounting requirements when a change required by interest rate benchmark reform occurs to a hedged item and/or hedging instrument that permit the hedge relationship to be continued without interruption. The Group will apply the following reliefs as and when 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 hedged item or hedging instrument:

- the Group will amend the designation of a hedging relationship to reflect changes that are required by the reform without discontinuing the hedging relationship; and
- 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 is deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.

While uncertainty persists in the timing or amount of the interest rate benchmark-based cash flows of the hedged item or hedging instrument, the Group continues to apply the existing accounting policies.

The Group keeps actively monitoring the situation – there were no instruments linked to major benchmark reference rates which were to cease during 2022 or 2021.

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, Poland, Romania, Russia, the USA, 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 should be measured at fair market value, the Group uses only reputable and internationally well-known independent experts to establish fair market values. In the case the 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) or dealer price quotations 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 2 assets include mainly financial derivatives, corporate bonds, and treasury bills. For OTC derivative exposures, the fair value is estimated using the present value of the cash flows resulting from the transactions considering market inputs like FX spot and forwards rates, benchmark interest rates, swap rates, arbitrage pricing model and others. The fair value of corporate bonds and treasury bills is calculated as the present value of cash flows using the benchmark interest rates.

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. Level 3 assets include equity and debt instruments not traded on the market where the fair value is calculated using the valuation techniques including expert appraisals. The fair valuation methodology for Level 3 equity and debt instruments is based on discounted cash flow valuation techniques. The fair value of equity and debt securities is sensitive to economic development at the businesses in question. The 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.

The main unobservable inputs used in measuring fair value of Level 3 assets are expected net cash flows and cost of equity. Expected net cash flows are projected cash flows from entity's business plan multiplied by enterprise value-to-sales ratio derived from similar market participants. All these outputs are estimated to some degree and significant changes would result in changes of fair value. 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 following table shows the carrying amounts and fair values of financial instruments measured at AC, including their levels in the fair value hierarchy (excl. FV hedge adjustments, refer to C.4.4):

In millions of EUR, as at 31 December 2022 (excl. held-for-sale)

	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets at AC (E.2.2)	2,311	2,057	2,023	34	-
Loans and receivables due from banks and other financial institutions	379	379	33	325	21
Loans due from customers	8,213	8,112	-	25	8,087
Trade and other receivables*	1,661	1,661	-	-	1,661
Due to non-banks	(13,207)	(13,201)	-	(13,021)	(180)
Due to banks and other financial institutions	(6,552)	(6,512)	-	(5,341)	(1,171)
Debt securities issued	(3,992)	(3,815)	-	(3,208)	(607)
Subordinated liabilities	(44)	(44)	-	(12)	(32)
Trade and other payables**	(2,051)	(2,049)	-	-	(2,049)

*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 2021

	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets at AC (E.2.2)	1,714	1,607	1,579	3	25
Loans and receivables due from banks and other financial institutions	835	835	18	817	-
Loans due from customers	11,732	11,643	-	6	11,637
Trade and other receivables*	1,568	1,568	-	-	1,568
Due to non-banks	(12,680)	(12,653)	-	(12,642)	(11)
Due to banks and other financial institutions	(11,353)	(11,452)	-	(9,721)	(1,731)
Debt securities issued	(3,541)	(3,646)	(210)	(2,992)	(444)
Subordinated liabilities	(200)	(197)	-	-	(197)
Trade and other payables**	(2,293)	(2,293)	-	(5)	(2,288)

*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.

Where they are available, the fair value of financial instruments measured at amortised costs is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes expected lifetime credit losses, interest rates, prepayment rates and primary origination or secondary market spreads.

To improve accuracy of the value estimate for retail loans, homogeneous loans are grouped into portfolios with similar characteristics such as vintage, life-time value ratios, the quality of collateral, product and borrower type, prepayment and delinquency rates, and default probability.

The fair value of current accounts and deposits from customers is estimated using discounted cash flow techniques, applying the rates that are offered for deposits of similar maturities and terms. The fair value of deposits payable on demand is the amount payable at the reporting date.

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 2022 (excl. held-for-sale)

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	497	1,049	174	1,720
Financial assets FVOCI	1,470	138	82	1,690
Financial liabilities at FVTPL	(340)	(786)	(174)	(1,300)
Total	**1,627**	**401**	**82**	**2,110**

In millions of EUR, as at 31 December 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	458	1,147	17	1,622
Financial assets at FVOCI	1,490	141	23	1,654
Financial liabilities at FVTPL	(411)	(654)	(15)	(1,080)
Total	**1,537**	**634**	**25**	**2,196**

There were no significant transfers between Level 1, 2 and 3 in 2022 and no transfers in 2021.

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

In millions of EUR, for the year ended 31 December 2022

	Financial assets FVTPL	Financial assets FVOCI	Financial liabilities FVTPL	Total
Balance as at 1 January	17	23	(15)	25
Net gains/(losses) recorded in profit or loss (included in net gain/(loss) on financial assets)	3	-	(55)	(52)
Net gains/(losses) recorded in other comprehensive income	-	(6)	-	(6)
Purchases or originations of financial assets	195	61	-	256
Sales/settlements	(43)	-	9	(34)
Additions of financial liabilities/Issues	-	-	(111)	(111)
Transfer out of / into Level 3	-	3	-	3
Effect of movements in exchange rates	2	1	(2)	1
Balance as at 31 December 2022	**174**	**82**	**(174)**	**82**

In millions of EUR, for the year ended 31 December 2021

	Financial assets FVTPL	Financial assets FVOCI	Financial liabilities FVTPL	Total
Balance as at 1 January	33	42	(87)	(12)
Net gains/(losses) recorded in profit or loss (included in net gain/(loss) on financial assets)	(21)	-	8	(13)
Purchases or originations of financial assets	77	1	-	78
Sales/settlements	(73)	(21)	67	(27)
Effect of movements in exchange rates	1	1	(3)	(1)
Balance as at 31 December 2021	**17**	**23**	**(15)**	**25**

The financial assets at FVOCI in Level 3 represent equity securities of EUR 77 million and debt securities of EUR 5 million (2021: equity securities of EUR 23 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 has various netting arrangements in place with the counterparties to manage the associated credit risks. Such arrangements primarily include over-the-counter derivatives, repo and reverse repo transactions, lending arrangements. These netting arrangements and similar arrangements generally enable the counterparties to set-off liabilities against available assets received in the ordinary course of business and/or in the event of the counterparty's default. The offsetting right is a legal right to settle, or otherwise eliminate, all or a portion of an amount due by applying an amount receivable from the same counterparty against it, thus, reducing credit exposure.

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.

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

The following tables summarise the financial assets and liabilities subject to offsetting, enforceable master netting and similar agreements, as well as financial collateral received to mitigate the credit exposures for these financial assets, and whether offset is achieved in the consolidated statement of financial position:

C.8.1. Financial assets subject to offsetting, netting arrangements

In millions of EUR, as at 31 December 2022

	Offsetting recognised in the statement of financial position			Netting potential not recognised in the statement of financial position			Assets not subject to netting arrangements**	Total consolidated assets recognised in the statement of financial position	Maximum exposure to credit risk after consideration of netting potential
	Gross assets before offset	Offset with gross liabilities	Net assets recognised in the statement of financial position	Financial liabilities	Collateral received	Assets after consideration of netting potential*	Assets recognised in the statement of financial position		
Reverse repo operations (E.1, E.2.1)	6,399	(74)	6,325	-	(7,102)	-	801	7,126	801
Derivatives (E.2.1)	986	(196)	790	-	(325)	465	135	925	600
Mortgage loans (E.4.1.1)	689	(54)	635	-	-	635	-	635	635
Trade receivables (E.5)	74	(29)	45	-	-	45	1,250	1,295	1,295
Total	**8,148**	**(353)**	**7,795**	**-**	**(7,427)**	**1,145**	**2,186**	**9,981**	**3,331**

*The amounts have been capped by the relevant netting agreement so as not to exceed the net amount of financial assets presented in the statement of financial position (i.e., over-collateralisation, where it exists, is not reflected in the table, given surplus collateral would not be recognisable in an event of default).
**Represents items not subject to enforceable netting arrangements and other out-of-scope items.

In millions of EUR, as at 31 December 2021

	Offsetting recognised in the statement of financial position			Netting potential not recognised in the statement of financial position			Assets not subject to netting arrangements**	Total consolidated assets recognised in the statement of financial position	Maximum exposure to credit risk after consideration of netting potential
	Gross assets before offset	Offset with gross liabilities	Net assets recognised in the statement of financial position	Financial liabilities	Collateral received	Assets after consideration of netting potential*	Assets recognised in the statement of financial position		
Reverse repo operations (E.1, E.2.1)	5,390	-	5,390	-	(6,371)	-	1,527	6,917	1,527
Derivatives (E.2.1)	639	(30)	609	-	(133)	476	101	710	577
Mortgage loans (E.4.1.1)	553	(85)	468	-	-	468	6	474	474
Trade receivables (E.5)	135	(34)	101	-	-	101	1,126	1,227	1,227
Total	**6,717**	**(149)**	**6,568**	**-**	**(6,504)**	**1,045**	**2,760**	**9,328**	**3,805**

*The amounts have been capped by the relevant netting agreement so as not to exceed the net amount of financial assets presented in the statement of financial position (i.e., over-collateralisation, where it exists, is not reflected in the table, given surplus collateral would not be recognisable in an event of default).
**Represents items not subject to enforceable netting arrangements and other out-of-scope items.

C.8.2. Financial liabilities subject to offsetting, netting arrangements

In millions of EUR, for the year ended 31 December 2022

	Offsetting recognised in the statement of financial position			Netting potential not recognised in the statement of financial position			Liabilities not subject to netting arrangements	Total consolidated liabilities recognised in the statement of financial position	Maximum exposure after consideration of netting potential
	Gross liabilities before offset	Offset with gross assets	Net liabilities recognised in the statement of financial position	Financial assets	Collateral pledged	Liabilities after consideration of netting potential	Liabilities recognised in the statement of financial position		
Repo operations (E.13-E.15)	(4,031)	74	(3,957)	3,947	-	(128)	-	(3,957)	(128)
Derivatives (E.13)	(612)	197	(415)	-	124	(291)	(246)	(661)	(537)
Current accounts and demand deposits (E.14)	(5,403)	53	(5,350)	-	-	(5,350)	(2,764)	(8,114)	(8,114)
Trade and other payables (E.18)	(46)	29	(17)	-	-	(17)	(890)	(907)	(907)
Total	**(10,092)**	**353**	**(9,739)**	**3,947**	**124**	**(5,786)**	**(3,900)**	**(13,639)**	**(9,686)**

In millions of EUR, for the year ended 31 December 2021

	Offsetting recognised in the statement of financial position			Netting potential not recognised in the statement of financial position			Liabilities not subject to netting arrangements	Total consolidated liabilities recognised in the statement of financial position	Maximum exposure after consideration of netting potential
	Gross liabilities before offset	Offset with gross assets	Net liabilities recognised in the statement of financial position	Financial assets	Collateral pledged	Liabilities after consideration of netting potential	Liabilities recognised in the statement of financial position		
Repo operations (E.13-E.15)	(3,605)	-	(3,605)	3,634	-	(23)	(50)	(3,655)	(73)
Derivatives (E.13)	(494)	30	(464)	3	140	(321)	(171)	(635)	(492)
Current accounts and demand deposits (E.14)	(5,431)	85	(5,346)	-	-	(5,346)	(2,864)	(8,210)	(8,210)
Trade and other payables (E.18)	(50)	34	(16)	-	-	(16)	(926)	(942)	(942)
Total	**(9,580)**	**149**	**(9,431)**	**3,637**	**140**	**(5,706)**	**(4,011)**	**(13,442)**	**(9,717)**

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 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 2022, PPF Group N.V. distributed EUR 119 million to its shareholders (2021: EUR nil million). The distribution should be seen in relation to the general principles for capital management as explained above.

C.10.1. Financial services segment

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"), in 2015. The Subgroup became a financial holding company and as such became subject to consolidated prudential requirements under Regulation (EU) 575/2013 of the European Parliament and of the Council (the "CRR") and Directive 2013/36/EU of the European Parliament and of the Council (the "CRD") as transposed in the Czech Republic. The Czech National Bank (the "CNB") acts as the consolidating supervisor of the Subgroup. PPF banka was appointed as the responsible reporting entity for the Subgroup.

Pursuant to the amendments to the CRD (amended by Directive (EU) 2019/878 of the European Parliament and of the Council) and the CRR (amended by Regulation (EU) 2019/876 of the European Parliament and of the Council) as of 20 May 2019, PPF Financial Holdings B.V. was expected to apply for a new special licence with the competent authorities in the Czech Republic and, simultaneously, in the Netherlands. To simplify the licencing process, the shareholders of the company decided to conduct a cross-border conversion from the Netherlands to the Czech Republic.

After the Conversion, PPF Financial Holdings a.s. was subject to the same capital requirements on its consolidated basis as PPF Financial Holdings B.V. before the Conversion. The Subgroup was required to fulfil the following minimum capital requirements:

- a Tier 1 capital adequacy ratio of at least 6%; and
- a total capital adequacy ratio of at least 8%.

Additionally, the Subgroup was required to maintain a capital conservation buffer amounting to 2.5% of its risk-weighted assets and an institution-specific countercyclical capital buffer amounting to 0.615% of its risk-weighted assets as at 31 December 2022.

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

Due to late transposition of the CRD to the Czech legislation, the authorisation process for financial holdings became effective in the Czech Republic only in October 2021. Following the Conversion, PPF Financial Holdings submitted its formal application to the CNB in November 2021. The application was approved in March 2022. Throughout the reporting period until the approval, the Subgroup maintained all capital requirements and reported them to the CNB as if effective for the Subgroup.

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

The Subgroup complied with all externally imposed capital requirements, large exposure requirements, liquidity requirements, and leverage requirements throughout the reporting period.

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

In millions of EUR, as at 31 December

	2022	2021
Issued capital	0.00	0.00
Share premium	2,324	2,324
Retained earnings and other reserves	869	313
Full year profit/(loss) included into capital	(1,386)	(258)
Minority interests on CET 1	15	13
Adjustment to CET 1 due to IFRS 9	92	180
(-) Additional valuation adjustment	(4)	(4)
(-) Intangible assets	(166)	(237)
(-) Deferred tax assets (deductible part)	(40)	(605)
(-) Investments in financial sector	-	(20)
Total Tier 1 capital	**1,707**	**1,708**
Total Tier 2 capital	**181**	**404**
Total capital	**1,888**	**2,112**
Total capital adequacy ratio	**14.16%**	**11.52%**

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 services	PPF banka and its subsidiaries	Loans, deposits and other transactions and balances with corporate customers, trading activities	Czech Republic
	Home Credit	Lending to private individual customers, deposit-taking	Czech Republic, Slovakia, Russia (disc.)(1), Asia
	Air Bank(2) and its subsidiaries	Deposits, loans and other transactions and balances with retail customers	Czech Republic, Slovakia
	Mobi Banka	Deposits, loans and other transactions and balances with retail customers	Serbia
	Bank Home Credit	Deposits, loans and other transactions and balances with retail customers	Kazakhstan
	ClearBank *(associate)*	Clearing and settlement services	United Kingdom
Telecommunications	O2 Czech Republic	Fixed and mobile telecommunication and data services	Czech Republic
	O2 Slovakia/ O2 Networks(3)	Mobile telecommunication and data services, and infrastructure	Slovakia
	CETIN	Administration and operation of data and communication networks	Czech Republic, Hungary, Bulgaria, Serbia
	Yettel (Telenor until March 2022)	Mobile operators providing a range of voice and data services	Hungary, Bulgaria, Serbia and Montenegro (2021)
Media	CME and its subsidiaries	Television broadcasting	Czech Republic, Bulgaria, Romania, Slovakia, Slovenia and Croatia
Mechanical engineering	Škoda	Production, development, assembling and repairs of vehicles for public transport	Czech Republic, Eastern Europe, Russia, Finland
	Temsa *(JV)*	Production of buses	Turkey
Real estate	PPF Real Estate Holding	Developing, investing and professional consulting in the property sector	Central and Western Europe, Russia, Romania, USA
Insurance	PPF Insurance	Provision of life insurance products	Russia
Other	Sotio	Development of new medical therapies, focusing on the treatment of cancer	Czech Republic, USA, France, Switzerland
	O2 Arena/ O2 Universum	Operation of multipurpose hall hosting mainly sports and cultural events	Czech Republic
	RAV Holding(4)	Grain and livestock production, storage and trade	Russia

Reportable segment	Business name/brand	Operations	Geographic focus
Other (cont.)	Dream Yacht (subs.)/ Navigare *(associate)*	Sea boat charter services	worldwide
	LEAG *(JV)*	Extraction, processing, refining and sale of lignite, generation of electricity and heat	Germany
	CzechToll/ITIS Holding (JV)(5)	Toll operating and collection system	Czech Republic, Slovakia
	Mall/Heureka(6) *(associates)*	E-commerce and comparison-shopping platforms	Central and Eastern Europe
	FAST *(associate)*	Consumer electronic wholesaler and retailer	Czech Republic, Slovakia, Hungary, Poland
	MONETA Money Bank *(associate)*	Provider of banking and financing services to individual customers and clients in the SME segment	Czech Republic

(1) Russia region (a part of CIS region) is presented as discontinued operations (refer to B.2.1)
(2) Part of Home Credit Group
(3) O2 Networks, s.r.o. (an infrastructure part) demerged in April 2022. For 2021 and for the year ended 31 December 2022, it was still managed and evaluated within O2 Slovakia telecommunications subsegment.
(4) RAV Holding was sold in April 2022 (refer to B.2.6.2).
(5) In August 2022, the Group lost its control over CzechToll, as this subsidiary was sold to ITIS Holding (refer to B.3.5).
(6) Mall was sold in April 2022 (refer to B.3.4).

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 of continuing operations that may be reconciled to the consolidated statement of income and the Russian Federation financial services discontinued operations (refer to B.2.1 and A.8). The main categories are presented in the below table:

In millions of EUR, for the year ended 31 December 2022

	Continuing	Discontinued*	Total
Interest income**	2,307	211	2,518
Fee and commission income	353	40	393
Net earned premiums	69	7	76
Telecommunications income	3,500	-	3,500
Media income	767	-	767
Mechanical engineering income	775	-	775
Net rental and related income	248	-	248
Other income***	193	-	193
Total revenue from external customers	**8,212**	**258**	**8,470**

*Russian financial services operations only (refer to B.2.1 and A.8)
**interest income related to financial services, insurance and unallocated segments
***incl. toll operations income by 30 August 2022 (refer to B.3.5) and leisure business income

In millions of EUR, for the year ended 31 December 2021

	Continuing (restated)*	Discontinued (restated)*	Total
Interest income**	2,334	419	2,753
Fee and commission income	297	118	415
Net earned premiums	54	20	74
Net rental and related income	193	-	193
Telecommunications income	3,331	-	3,331
Mechanical engineering income	614	-	614
Media income	677	-	677
Other income***	92	-	92
Total revenue from external customers	**7,592**	**557**	**8,149**

*In the last published annual consolidated financial statements, financial services CEE region operations were presented as discontinued as at 31 December 2021, however, as described in B.2.3, these operations are no longer classified as discontinued, and the income from these CEE operations is presented within the "continuing" column in the above table. On the other hand, based on the development during 2022 and transactions described in B.2.2, financial services Russian Federation operations were classified as discontinued as at 31 December 2022, and the comparative figures for income from these operations are presented within the "discontinued" column in the above table instead.
**interest income related to segments for financial services, insurance and unallocated
***incl. toll operations income, leisure business 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 2022 and comparative figures for 2021:

In millions of EUR

2022	Financial services	Telecommu-nications	Media	Mechanical engineering	Real estate	Insurance	Other	Unallocated	Eliminations	**Consolidated**
Revenue from external customers	2,862	3,500	767	775	241	90	200	35	-	8,470
Inter-segment revenue	20	6	10	-	2	-	-	29	(67)	-
Total revenue	**2,882**	**3,506**	**777**	**775**	**243**	**90**	**200**	**64**	**(67)**	**8,470**
Segment share of profit/(loss) of equity-accounted investees	17	-	-	2	(17)	-	889	-	-	891
Net profit/(loss) for the year	**(1,449)**	**651**	**136**	**132**	**(293)**	**8**	**996**	**(72)**	**31**	**140**
Capital expenditure	68	751	17	68	2	-	20	1	(12)	915
Depreciation and amortisation	(156)	(707)	(38)	(39)	(4)	(1)	(45)	(2)	12	(980)
Other significant non-cash expenses	(729)	(84)	3	(8)	(26)	-	(13)	(70)	(8)	(935)
Segment assets	22,871	7,874	2,275	1,428	2,411	269	3,565	1,369	(2,179)	39,883
of which: equity-accounted investees	_95_	_1_	-	_32_	_80_	-	_1,274_	-	-	_1,482_
Segment liabilities	20,953	6,880	1,181	872	1,455	215	801	580	(2,201)	30,736
Segment equity	**1,918**	**994**	**1,094**	**556**	**956**	**54**	**2,764**	**789**	**22**	**9,147**

In millions of EUR

2021	Financial services	Telecommu-nications	Media	Mechanical engineering	Real estate	Insurance	Other	Unallocated	Eliminations	**Consolidated**
Revenue from external customers	3,162	3,331	677	614	193	66	92	14	-	8,149
Inter-segment revenue	21	5	5	-	1	1	-	31	(64)	-
Total revenue	**3,183**	**3,336**	**682**	**614**	**194**	**67**	**92**	**45**	**(64)**	**8,149**
Segment share of profit/(loss) of equity-accounted investees	(19)	-	-	7	(5)	-	(51)	-	-	(68)
Net profit/(loss) for the year	**(258)**	**530**	**120**	**56**	**101**	**5**	**(246)**	**(46)**	**12**	**274**
Capital expenditure	70	520	17	81	2	-	33	6	(13)	716
Depreciation and amortisation	(205)	(700)	(45)	(24)	(3)	(1)	(21)	(1)	6	(994)
Other significant non-cash expenses	(1,194)	(101)	-	(4)	(2)	-	(199)	(61)	7	(1,554)
Segment assets	25,454	7,739	2,143	1,118	2,993	216	3,140	1,527	(2,144)	42,186
of which: equity-accounted investees	_51_	_1_	-	_42_	_80_	-	_1,446_	-	-	_1,620_
Segment liabilities	22,742	6,382	1,186	703	2,023	171	1,206	799	(2,154)	33,058
Segment equity	**2,712**	**1,357**	**957**	**415**	**970**	**45**	**1,934**	**728**	**10**	**9,128**

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, Southeast Asia, Central and Eastern Europe. The Home Credit Group operates in the following principal geographical areas: China, the Russian Federation (discontinued) the Czech Republic, Vietnam, Kazakhstan (only 2021 applies), Slovakia, India, Indonesia and the Philippines. The Russian and Kazakh Home Credit businesses and Air Bank operate under banking licences allowing for the collection of deposits.

On 16 June 2022, the Home Credit Group lost control over Bank Home Credit (Kazakhstan) while the control has been retained by PPF Financial Holdings Group (refer to B.2.1). Since the direct control was transferred to PPF Financial Holdings Group level, the operations of Bank Home Credit started to be directly managed from that level, accordingly. The CIS region comprised both Russia and Kazakhstan in the segment report presentation. As PPF Financial Holdings Group lost control over its Russian operations and the direct management of Kazakh operations changed, CIS region, in the segment report for year ended 31 December 2022, was split for the presentation purposes to both countries being presented separately, and the Kazakh operations are newly presented as a separate Consumer lending segment compared to its previous presentation under Consumer lending of Home Credit Group.

Therefore, in line with IFRS 8, the Group provides, for the financial statements' users, comparative data for both, the newly established segments structure and the previously original segments establishment.

Retail banking in Serbia comprises Mobi Banka, a Serbian bank not related to the Home Credit business.

The following table shows the main items from the financial statements broken down according to reportable segments for 2022 and 2021:

In millions of EUR

2022	Consumer lending						Corporate banking	Retail banking	Consumer lending	Unallocated	Elimina-tions	**Consolidated**
		China	*Russia (CIS part)* disc***	*SEA**	*CEE**	*Other*		*Serbia*	*Kazakhstan*			
Revenue from customers	2,080	386	258	1,015	421	-	505	23	265	9	-	2,882
Inter-segment revenue	18	-	1	-	17	-	46	-	1	28	(93)	-
Total revenue	**2,098**	**386**	**259**	**1,015**	**438**	**-**	**551**	**23**	**266**	**37**	**(93)**	**2,882**
Net interest income from external customers	1,280	192	133	698	276	(19)	223	12	177	(12)	-	1,680
Inter-segment net interest income	(53)	(2)	-	(21)	2	(32)	47	(1)	(1)	28	(20)	-
Total net interest income	**1,227**	**190**	**133**	**677**	**278**	**(51)**	**270**	**11**	**176**	**16**	**(20)**	**1,680**
Net profit/(loss) for the year	**(1,614)**						**112**	**-**	**50**	**(11)**	**(1)**	**(1,464)**
Capital expenditure	61						1	1	6	-	(1)	68
Depreciation and amortisation	(144)						(4)	(2)	(9)	-	3	(156)
Other significant non-cash expenses	(666)						(37)	(2)	(24)	-	-	(729)
Segment assets	10,069						11,977	232	1,125	732	(1,264)	22,871
Segment liabilities	9,469						11,241	201	836	472	(1,266)	20,953
Segment equity	**600**						**736**	**31**	**289**	**260**	**2**	**1,918**

*CIS – Commonwealth of Independent States, SEA – South East Asia, CEE – Central and Eastern Europe
**Russia region (refer to the above paragraphs in this section) and its related operations are classified as discontinued as at 31 December 2022, segment reporting is presented as if there were no discontinued operations. The results from discontinued operations are presented in the separate note B.2.1.

In millions of EUR

2021	Consumer lending						Corporate banking	Retail banking	Consumer lending	Unallocated	Elimina-tions	**Consolidated**
		China	*Russia (CIS part)* disc***	*SEA**	*CEE**	*Other*		*Serbia*	*Kazakhstan*			
Revenue from customers	2,786	1,148	560	827	251	-	137	20	232	8	-	3,183
Inter-segment revenue	-	-	-	-	-	-	40	-	-	24	(64)	-
Total revenue	**2,786**	**1,148**	**560**	**827**	**251**	**-**	**177**	**20**	**232**	**32**	**(64)**	**3,183**
Net interest income from external customers	1,742	707	313	558	195	(31)	78	10	136	(2)	-	1,964
Inter-segment net interest income	(65)	(1)		(29)	(4)	(31)	40	(1)	(1)	24	3	-
Total net interest income	**1,677**	**706**	**313**	**529**	**191**	**(62)**	**118**	**9**	**135**	**22**	**3**	**1,964**
Net profit/(loss) for the year	**(394)**						**67**	**(4)**	**85**	**(14)**	**2**	**(258)**
Capital expenditure	68						4	1	(3)	-	-	70
Depreciation and amortisation	(193)						(4)	(2)	(6)	-	-	(205)
Other significant non-cash expenses	(1,191)						-	(1)	-	(2)	-	(1,194)
Segment assets	15,291						9,518	208	971	549	(1,083)	25,454
Segment liabilities	13,760						8,836	178	686	367	(1,085)	22,742
Segment equity	**1,531**						**682**	**30**	**285**	**182**	**2**	**2,712**

*CIS – Commonwealth of Independent States, SEA – South East Asia, CEE – Central and Eastern Europe (incl. Air Bank)
**Russia region (refer to the above paragraphs in this section) and its related operations are classified as discontinued as at 31 December 2021, segment reporting is presented as if there were no discontinued operations. The results from discontinued operations are presented in the separate note B.2.1.

In millions of EUR

2021	Consumer lending							Corporate banking	Retail banking	Unallocated	Eliminations	**Consolidated**
		China	*Russia (CIS part)* disc***	*Kazakh-stan (CIS part)**	*SEA**	*CEE**	*Other*					
Revenue from customers	3,018	1,148	560	232	827	251	-	137	20	8	-	3,183
Inter-segment revenue	-	-	-	-	-	-	-	40	-	24	(64)	-
Total revenue	**3,018**	**1,148**	**560**	**232**	**827**	**251**	**-**	**177**	**20**	**32**	**(64)**	**3,183**
Net interest income from external customers	1,878	707	313	136	558	195	(31)	78	10	(2)	-	1,964
Inter-segment net interest income	(66)	(1)	-	(1)	(29)	(4)	(31)	40	(1)	24	3	-
Total net interest income	**1,812**	**706**	**313**	**135**	**529**	**191**	**(62)**	**118**	**9**	**22**	**3**	**1,964**
Net profit/(loss) for the year	**(309)**							**67**	**(4)**	**(14)**	**2**	**(258)**
Capital expenditure	65							4	1	-	-	70
Depreciation and amortisation	(199)							(4)	(2)	-	-	(205)
Other significant non-cash expenses	(1,191)							-	(1)	(2)	-	(1,194)
Segment assets	16,262							9,518	208	549	(1,083)	25,454
Segment liabilities	14,446							8,836	178	367	(1,085)	22,742
Segment equity	**1,816**							**682**	**30**	**182**	**2**	**2,712**

*CIS – Commonwealth of Independent States, SEA – South East Asia, CEE – Central and Eastern Europe (incl. Air Bank)
**Russia region (refer to the above paragraphs in this section) and its related operations are classified as discontinued as at 31 December 2021, segment reporting is presented as if there were no discontinued operations. The results from discontinued operations are presented in the separate note B.2.1.

D.1.2. Telecommunications segment

The telecommunication segment is represented by O2 Czech Republic, O2 Slovakia, CETIN and Yettel entities.

In 2021, Telenor Serbia and Montenegro segment comprised two individual business units with a common management and business strategy. In December 2021, the 100% share in Telenor Montenegro was sold, refer to B.2.8.

On 1 March 2022, all Telenor entities within the Group were rebranded to Yettel.

In millions of EUR

2022	O2 Czech Republic	O2 Slovakia*	Yettel Hungary	Yettel Bulgaria	Yettel Serbia	CETIN CZ	CETIN Hungary	CETIN Bulgaria	CETIN Serbia	Unallo-cated	Elimi-nations	**Consoli-dated**
Revenue from external customers	1,381	320	537	452	473	327	3	4	9	-	-	3,506
Inter-segment revenue	12	4	4	4	8	436	128	120	94	-	(810)	-
Total revenue	**1,393**	**324**	**541**	**456**	**481**	**763**	**131**	**124**	**103**	**-**	**(810)**	**3,506**
Operating profit excl. depr., amort. and impairments	**458**	**139**	**108**	**157**	**136**	**375**	**96**	**84**	**78**	**(5)**	**(9)**	**1,617**
Net profit for the period	**217**	**37**	**10**	**91**	**55**	**118**	**47**	**43**	**36**	**(2)**	**(1)**	**651**
Capital expenditure	68	93	171	31	33	223	61	51	34	-	(14)	751
Depreciation and amortisation	(161)	(75)	(63)	(39)	(50)	(222)	(35)	(36)	(33)	(1)	8	(707)
Other significant non-cash expenses	(26)	(8)	(11)	(15)	(21)	(1)	(2)	-	-	-	-	(84)
Segment assets	1,598	599	777	507	603	2,571	410	352	366	1,544	(1,453)	7,874
Segment liabilities	975	326	301	120	116	1,595	133	97	77	4,591	(1,451)	6,880
Segment equity	**623**	**273**	**476**	**387**	**487**	**976**	**277**	**255**	**289**	**(3,047)**	**(2)**	**994**

*incl. O2 Networks

In millions of EUR

2021	O2 Czech Republic	O2 Slovakia	Yettel Hungary	Yettel Bulgaria	Yettel Serbia & MNE	CETIN CZ	CETIN Hungary	CETIN Bulgaria	CETIN Serbia	Unallo-cated	Elimi-nations	**Consoli-dated**
Revenue from external customers	1,280	301	540	422	461	318	3	3	8	-	-	3,336
Inter-segment revenue	14	4	5	5	11	391	125	110	91	-	(756)	-
Total revenue	**1,294**	**305**	**545**	**427**	**472**	**709**	**128**	**113**	**99**	**-**	**(756)**	**3,336**
Operating profit excl. depr., amort. and impairments	**429**	**134**	**132**	**134**	**144**	**347**	**100**	**79**	**77**	**4**	**(11)**	**1,569**
Net profit for the period	**166**	**38**	**39**	**71**	**63**	**102**	**56**	**38**	**36**	**(79)**	**-**	**530**
Capital expenditure	83	59	16	41	24	185	44	49	21	-	(2)	520
Depreciation and amortisation	(171)	(69)	(67)	(42)	(52)	(209)	(32)	(36)	(32)	-	10	(700)
Other significant non-cash expenses	(45)	(11)	(12)	(12)	(16)	(5)	-	-	-	-	-	(101)
Segment assets	1,937	576	710	500	564	2,483	424	324	357	990	(1,126)	7,739
Segment liabilities	920	301	204	115	95	1,578	135	96	78	3,740	(880)	6,382
Segment equity	**1,017**	**275**	**506**	**385**	**469**	**905**	**289**	**228**	**279**	**(2,750)**	**(246)**	**1,357**

E. Notes to the consolidated financial statements

In this whole section E in the disclosures to the consolidated statement of financial position and to off-balance sheet items, the comparative figures as at 31 December 2021 have been restated, and include also the balances of CEE region classified previously as held-for-sale in the consolidated financial statements for the year ended 31 December 2021 (for more details refer to A.7, A.10 and B.2.3).

Additionally, due to the discontinuance of operations in the Russian region (refer to A.7 and B.2.1), in this whole section E in the disclosures to the consolidated statement of income, the comparative figures for the year ended 31 December 2021 have been restated not to reflect the financial services segment Russian region expenses, losses, revenues or income in the Group's comparative figures as they were presented in the most recent consolidated financial statements for the year ended 31 December 2021.

E.1. Cash and cash equivalents

Cash and cash equivalents comprise the following:

In millions of EUR

	31 December 2022	31 December 2021
Cash on hand	117	150
Current accounts	697	981
Balances with central banks	415	351
Placements with financial institutions due within one month	249	88
Reverse repo operations with central banks	7,022	6,034
Total cash and cash equivalents	**8,500**	**7,604**

As at 31 December 2022, current accounts comprise EUR 71 million (2021: EUR 145 million) which is to a certain extend restricted to its use. The use of the cash is restricted by the Group's borrowing agreements with its creditors for the received funding.

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

E.2. Investment securities and derivatives

Investment securities and derivatives comprise the following.

In millions of EUR

	31 December 2022	31 December 2021
Financial assets at FVTPL*	1,720	1,622
Financial assets at AC**	2,182	1,630
Amortised cost	2,311	1,714
FV hedge adjustment**	(129)	(84)
Financial assets at FVOCI	1,690	1,654
Total investment securities and derivatives	**5,592**	**4,906**

*incl. derivatives
**refer to C.4.4

E.2.1. Financial assets at FVTPL

Financial assets at FVTPL comprise the following:

In millions of EUR

	31 December 2022	31 December 2021
Financial assets held for trading	439	387
Government and other public-sector bonds	439	384
Corporate bonds	-	3
Reverse repo operations	104	435
Equity securities	11	-
Positive fair value of trading derivatives	752	603
Interest rate derivatives	617	539
Currency derivatives	135	64
Positive fair values of hedging derivatives	173	107
Other*	-	2
Financial assets not held for trading	241	88
Corporate bonds	-	2
Equity securities	48	72
Loans and receivables	165	14
Other	28	-
Total financial assets at FVTPL	**1,720**	**1,622**

*held for trading

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 (excl. FV hedge adjustment – refer to E.2) comprise the following:

In millions of EUR, as at 31 December 2022

	Gross amount	Amortised cost
Government bonds	2,305	2,305
Corporate bonds	6	6
Total financial assets at AC	**2,311**	**2,311**

In millions of EUR, as at 31 December 2021

	Gross amount	Amortised cost
Government bonds	1,685	1,685
Corporate bonds	29	29
Total financial assets at AC	**1,714**	**1,714**

Credit quality analysis

No loss allowances on financial assets at AC was recognised as at 31 December 2022 (2021: nil).

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 carrying amounts 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 2022

	Stage 1	Stage 2	Stage 3	POCI	Total
Very low risk	2,305	-	-	-	2,305
Low risk	6	-	-	-	6
Medium risk	-	-	-	-	-
High risk	-	-	-	-	-
Default	-	-	-	-	-
Gross amount	**2,311**	**-**	**-**	**-**	**2,311**
Loss allowance	-	-	-	-	-
Total carrying amount	**2,311**	**-**	**-**	**-**	**2,311**

In millions of EUR, as at 31 December 2021

	Stage 1	Stage 2	Stage 3	POCI	Total
Very low risk	1,615	-	-	-	1,615
Low risk	82	-	-	-	82
Medium risk	17	-	-	-	17
High risk	-	-	-	-	-
Default	-	-	-	-	-
Gross amount	**1,714**	**-**	**-**	**-**	**1,714**
Loss allowance	-	-	-	-	-
Total carrying amount	**1,714**	**-**	**-**	**-**	**1,714**

E.2.3. Financial assets at FVOCI

Financial assets at FVOCI comprise the following:

In millions of EUR

	31 December 2022	31 December 2021
Debt securities	1,251	1,211
Government bonds	902	783
Corporate bonds	349	428
Equity securities	439	443
Shares	377	443
Mutual funds investments	27	-
Other equity securities	35	-
Total financial assets at FVOCI	**1,690**	**1,654**

All equity securities represent investments in publicly traded shares measured at fair value of Level 1. The tables below show details on the Group's most significant share investments at FVOCI:

In millions of EUR

Company name	31 December 2022	31 December 2021
Allegro.eu	83	-
ProSiebenSat.1 Media SE	58	-
Kontron AG *(formerly S&T AG)*	52	43
Polymetal	44	247
Autolus Therapeutics PLC	26	67
Other	114	86
Total equity securities - shares (at FVOCI)	**377**	**443**

Net revaluation gains and losses from these share investments recognised through other comprehensive income for the year ended 31 December 2022 and 2021 were as follows:

In millions of EUR, for the year ended 31 December

	2022	2021
Allegro.eu	(20)	-
ProSiebenSat.1 Media SE	7	-
Kontron AG _(formerly S&T AG)_	3	(11)
Polymetal	(203)	(50)
Autolus Therapeutics PLC	(41)	(39)
Other	(12)	32
Total net revaluation gains/(losses) in OCI	**(266)**	**(68)**

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 2022

Debt securities and loans at FVOCI	Stage 1	Stage 2	Stage 3	POCI	Total
Very low risk	739	-	-	-	739
Low risk	252	-	-	-	252
Medium risk	224	31	-	-	255
High risk	-	5	-	-	5
Default	-	-	-	-	-
Total carrying amount (fair value)	**1,215**	**36**	**-**	**-**	**1,251**

In millions of EUR, as at 31 December 2021

Debt securities and loans at FVOCI	Stage 1	Stage 2	Stage 3	POCI	Total
Very low risk	567	-	-	-	567
Low risk	328	-	-	-	328
Medium risk	283	33	-	-	316
High risk	-	-	-	-	-
Default	-	-	-	-	-
Total carrying amount (fair value)	**1,178**	**33**	**-**	**-**	**1,211**

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 31 December 2022

Loss allowance – debt securities at FVOCI*	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1 January	**(3)**	**(1)**	**-**	**-**	**(4)**
Change in loss allowances	-	(19)	-	-	(19)
Transfer from Stage 1 to Stage 2	-	(19)	-	-	(19)
Change in PD/EAD/LGD, unwind of discount	-	(18)	-	-	(18)
Effect of movements in exchange rates	-	1	-	-	1
Net change during the period	**-**	**(36)**	**-**	**-**	**(36)**
Loss allowance as at 31 December	**(3)**	**(37)**	**-**	**-**	**(40)**

*In the case the debt security was derecognised during the period, i.e., no ECL allowance balance is reported as at the end of the period, all related changes in the loss allowances are shown in the stage as per classification of the debt security as at the beginning of the period.

In millions of EUR, for the year ended 31 December 2021

Loss allowance – debt securities at FVOCI*	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1 January	**(5)**	**(3)**	**-**	**-**	**(8)**
Change in loss allowances	-	1	-	-	1
Transfer from other stages/(to) Stage 1	-	1	-	-	1
New originated or purchased	(1)	-	-	-	(1)
Change in PD/EAD/LGD, unwind of discount	2	-	-	-	2
Effect of movements in exchange rates	1	1	-	-	2
Net change during the period	**2**	**2**	**-**	**-**	**4**
Loss allowance as at 31 December	**(3)**	**(1)**	**-**	**-**	**(4)**

*In the case the debt security was derecognised during the period, i.e., no ECL allowance balance is reported as at the end of the period, all related changes in the loss allowances are shown in the stage as per classification of the debt security as at the beginning of the period.

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

	31 December 2022	31 December 2021
Term deposits at banks	42	45
Minimum reserve deposits with central banks	226	175
Loans to banks	13	27
Loans and advances provided under reverse repos	-	448
Cash collateral for derivative instruments	98	140
Total loans and receivables due from banks and other financial institutions	**379**	**835**

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

During the year ended 31 December 2022, the decrease in loans and advances provided under reverse repo operations was caused by the disposal of Home Credit and Finance Bank LLC (refer to B.2.1).

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 carrying amounts 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

					2022	2021
Loans to banks and other financial institutions	Stage 1	Stage 2	Stage 3	POCI	Total	Total
Very low risk	236	-	-	-	236	193
Low risk	134	-	-	-	134	594
Medium risk	9	-	-	-	9	48
High risk	-	-	-	-	-	-
Default	-	-	-	-	-	-
Gross amount	**379**	**-**	**-**	**-**	**379**	**835**
Loss allowance	-	-	-	-	-	-
Total carrying amount	**379**	**-**	**-**	**-**	**379**	**835**

E.4. Loans due from customers

Loans due from customers measured at amortised cost comprise the following items:

In millions of EUR

	31 December 2022	31 December 2021
Cash loans	4,013	6,895
Consumer loans	509	1,433
Revolving loans	529	866
Mortgage loans	636	474
Car loans	231	179
Loans due from customers – retail (carrying amounts)	**5,918**	**9,847**
Loans to corporations	2,169	1,770
Loans to equity-accounted investees	100	107
Other	26	8
Loans due from customers – non-retail (carrying amounts)	**2,295**	**1,885**
Total loans due from customers (carrying amounts)	**8,213**	**11,732**

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 2022

	Cash loans	Consumer loans	Revolving loans	Mortgage loans	Car loans	Total
Gross amount	**4,479**	**567**	**579**	**636**	**255**	**6,516**
Stage 1	3,281	477	412	516	226	4,912
Stage 2	747	29	112	119	13	1,020
Stage 3	451	61	55	1	16	584
POCI	-	-	-	-	-	-
Loss allowance	**(466)**	**(58)**	**(50)**	**(1)**	**(23)**	**(598)**
Stage 1	(123)	(19)	(12)	-	(6)	(160)
Stage 2	(171)	(11)	(6)	-	(2)	(190)
Stage 3	(172)	(28)	(32)	(1)	(15)	(248)
POCI	-	-	-	-	-	-
Total carrying amount	**4,013**	**509**	**529**	**635**	**232**	**5,918**

In millions of EUR, as at 31 December 2021

	Cash loans	Consumer loans	Revolving loans	Mortgage loans	Car loans	Total
Gross amount	**7,800**	**1,550**	**932**	**475**	**198**	**10,955**
Stage 1	5,799	1,242	678	462	169	8,350
Stage 2	1,233	167	183	12	13	1,608
Stage 3	768	141	71	1	16	997
POCI	-	-	-	-	-	-
Loss allowance	**(905)**	**(117)**	**(66)**	**(1)**	**(19)**	**(1,108)**
Stage 1	(211)	(34)	(12)	(1)	(1)	(259)
Stage 2	(327)	(24)	(13)	1	(2)	(365)
Stage 3	(367)	(59)	(41)	(1)	(16)	(484)
POCI	-	-	-	-	-	-
Total carrying amount	**6,895**	**1,433**	**866**	**474**	**179**	**9,847**

*incl. mortgage loans

Credit quality analysis:

The Group's maximum exposure to credit risk and the year-end stage classification are shown in the above table. For retail portfolio, provisioning coefficients are usually estimated using statistical models (stochastic Markov chain based model) based on internally compiled data, while, where available, market data are also used. Details of all 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 2022

Loss allowance – Loans due from customers – retail*	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1 January	**(259)**	**(365)**	**(484)**	**-**	**(1,108)**
Disposals resulting from business combination	55	70	45	-	170
Changes in the loss allowance	47	(16)	(166)	-	(135)
Transfer from other stages/(to) Stage 1	(14)	13	-	-	(1)
Transfer from other stages/(to) Stage 2	43	(104)	3	-	(58)
Transfer from other stages/(to) Stage 3	18	75	(169)	-	(76)
New originated or purchased	(135)	(43)	(44)	-	(222)
Change in PD/EAD/LGD, unwind of discount	(156)	(226)	(286)	-	(668)
Financial assets fully repaid**	105	93	60	-	258
Write-offs	150	291	608	-	1,049
Transfer to assets held for sale	41	20	40	-	101
Effect of movements in exchange rates	(8)	(14)	(21)	-	(43)
Net change during the period	**99**	**175**	**236**	**-**	**510**
Loss allowance as at 31 December	**(160)**	**(190)**	**(248)**	**-**	**(598)**

*In the case the loan was derecognised during the period, i.e., no ECL allowance balance is reported as at the end of the period, all related changes in the loss allowances are shown in the stage as per classification of the loan as at the beginning of the period.
**The impact of partial repayments of financial assets is presented in the line: Change in PD/EAD/LGD, unwind of discount.

In millions of EUR, for the year ended 31 December 2021

Loss allowance – Loans due from customers – retail*	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 1 January	**(345)**	**(1,077)**	**(407)**	**-**	**(1,829)**
Changes in the loss allowance	64	(5)	(309)	-	(250)
Transfer from other stages/(to) Stage 1	(8)	17	-	-	9
Transfer from other stages/(to) Stage 2	42	(147)	3	-	(102)
Transfer from other stages/(to) Stage 3	30	125	(312)	-	(157)
New originated or purchased	(96)	(49)	(55)	-	(200)
Change in PD/EAD/LGD, unwind of discount	(331)	(626)	(531)	-	(1,488)
Financial assets fully repaid**	147	261	76	-	484
Write-offs	332	1,201	773	-	2,306
Effect of movements in exchanges rates	(30)	(70)	(31)	-	(131)
Net change during the period	**86**	**712**	**(77)**	**-**	**721**
Loss allowance as at 31 December	**(259)**	**(365)**	**(484)**	**-**	**(1,108)**

*In the case the loan was derecognised during the period, i.e., no ECL allowance balance is reported as at the end of the period, all related changes in the loss allowances are shown in the stage as per classification of the loan as at the beginning of the period.
**The impact of partial repayments of financial assets is presented in the line: Change in PD/EAD/LGD, unwind of discount.

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

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

In millions of EUR

	31 December 2022	31 December 2021
Gross amount	**2,452**	**2,002**
Loans to corporations	2,338	1,889
Loans to equity-accounted investees	114	113
Loss allowance	**(183)**	**(125)**
Total carrying amount*	**2,269**	**1,877**

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

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. 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

					2022	2021
Loans due from customers – non-retail (corporations and equity-accounted investees)	Stage 1	Stage 2	Stage 3	POCI	Total	Total
Very low risk	334	-	-	-	334	292
Low risk	442	-	-	-	442	220
Medium risk	1,218	247	-	-	1,465	1,209
High risk	23	35	-	-	58	71
Default	-	-	153	-	153	210
Total gross amount	**2,017**	**282**	**153**	**-**	**2,452**	**2,002**
Loss allowance	(30)	(10)	(143)	-	(183)	(125)
Total carrying amount*	**1,987**	**272**	**10**	**-**	**2,269**	**1,877**

*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 2022

Loss allowance - 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	**(12)**	**(12)**	**(101)**	**-**	**(125)**
Disposals resulting from business combination	-	-	16	-	16
New originated or purchased	(8)	-	-	-	(8)
Change in PD/EAD/LGD, unwind of discount	(5)	1	(69)	-	(73)
Changes to model assumptions and methodologies	(9)	-	-	-	(9)
Financial assets fully repaid**	5	.1	16	-	22
Effect of movements in exchange rates	(1)	-	(5)	-	(6)
Net change during the period	**(18)**	**2**	**(42)**	**-**	**(58)**
Loss allowance as at 31 December	**(30)**	**(10)**	**(143)**	**-**	**(183)**

*In the case the loan was derecognised during the period, i.e., no ECL allowance balance is reported as at the end of the period, all related changes in the loss allowances are shown in the stage as per classification of the loan as at the beginning of the period.
**The impact of partial repayments of financial assets is presented in the line: Change in PD/EAD/LGD, unwind of discount.

In millions of EUR, for the year ended 31 December 2021

Loss allowance - 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	**(12)**	**(15)**	**(74)**	**-**	**(101)**
Changes in the loss allowance	4	(5)	-	-	(1)
New originated or purchased	(8)	-	(1)	-	(9)
Change in PD/EAD/LGD, unwind of discount	4	(1)	(58)	-	(55)
Financial assets fully repaid**	1	-	2	-	3
Financial assets derecognised	-	9	32	-	41
Write-offs	-	-	4	-	4
Effect of movements in exchange rates	(1)	-	(6)	-	(7)
Net change during the period	**-**	**3**	**(27)**	**-**	**(24)**
Loss allowance as at 31 December	**(12)**	**(12)**	**(101)**	**-**	**(125)**

*In the case the loan was derecognised during the period, i.e., no ECL allowance balance is reported as at the end of the period, all related changes in the loss allowances are shown in the stage as per classification of the loan as at the beginning of the period.
**The impact of partial repayments of financial assets is presented in the line: Change in PD/EAD/LGD, unwind of discount.

E.5. Trade and other receivables, contract balances

Trade and other receivables and contract assets comprise the following:

In millions of EUR

	31 December 2022	31 December 2021
Gross amount	1,341	1,294
Trade receivables	1,295	1,227
Accrued income	46	67
Individual loss allowance	(161)	(145)
Total trade and other receivables	**1,180**	**1,149**
Gross amount	375	261
Individual loss allowance	(4)	(1)
Total contract assets	**371**	**260**

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 loss allowance 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 2022

	Weighted-average loss rate	**Gross amount**	**Loss allowance**	**Carrying amount**	**Credit-impaired**
Current (not past due)	2.7%	1,443	(39)	1,404	No
1-90 days	5.9%	136	(8)	128	No
91-180 days	42.9%	21	(9)	12	Yes
more than 180 days past due	94%	116	(109)	7	Yes
Total		**1,716**	**(165)**	**1,551**	

In millions of EUR, as at 31 December 2021

	Weighted-average loss rate	**Gross amount**	**Loss allowance**	**Carrying amount**	**Credit-impaired**
Current (not past due)	2.2%	1,297	(29)	1,268	No
1-90 days	6.5%	123	(8)	115	No
91-180 days	38.9%	18	(7)	11	Yes
more than 180 days past due	87.2%	117	(102)	15	Yes
Total		**1,555**	**(146)**	**1,409**	

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 loss allowance 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

	2022	2021
Balance as at 1 January	(146)	(127)
Disposals resulting from business combination	42	3
Impairment losses recognised in profit or loss	(72)	(32)
Financial assets derecognised during the period (excl. write offs)	3	1
Release of impairment losses on written-off items	22	20
Effect of movements in exchange rates	(14)	(11)
Balance as at 31 December	**(165)**	**(146)**

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

	31 December 2022	31 December 2021
Receivables, which are included in trade and other receivables	**1,090**	**1,149**
Contract assets	**371**	**260**
out of which:		
Contract assets (mechanical engineering)	292	119
Contract assets (telecommunications)	79	64
Contract assets (real estate) (refer to B.2.6.1)	-	77
Contract liabilities	**(420)**	**(409)**
out of which:		
Contract liabilities (mechanical engineering)	(253)	(225)
Contract liabilities (telecommunications)	(101)	(103)
Contract liabilities (leisure)	(66)	(79)
Contract liabilities (real estate)	-	(2)

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. For the real estate segment, the contract assets relate to the rights to consideration for work completed but not billed at the reporting date from a construction of residential projects. The contract assets are transferred to receivables when the Group issuer an invoice to the customer.

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. Contract liabilities in leisure business arise from forward sales of boats and deferred income.

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

In millions of EUR, for the year ended 31 December 2022

	Contract assets	Contract liabilities
Balance as at 1 January 2022	260	(409)
Disposals resulting from business combination	(95)	2
Revenue recognised that was included in the contract liability balance at the beginning of the period	-	222
Increases due to cash received, excluding amounts recognised as revenue during the period	-	(229)
Transfers from contract assets recognised at the beginning of the period to receivables	(164)	-
Increases as a result of changes in the measure of progress	375	-
Net changes in Expected Credit Losses	2	-
Refunds to clients	-	2
Effect of movements in exchange rates	(7)	(8)
Balance as at 31 December 2022	**371**	**(420)**

In millions of EUR, for the year ended 31 December 2021

	Contract assets	Contract liabilities
Balance as at 1 January 2021	297	(352)
Additions resulting from business combinations	-	(80)
Disposals resulting from business combinations	(1)	-
Revenue recognised that was included in the contract liability balance at the beginning of the period	-	199
Increases due to cash received, excluding amounts recognised as revenue during the period	-	(159)
Transfers from contract assets recognised at the beginning of the period to receivables	(241)	-
Offset of contract assets recognised at the beginning of the period with advances received	(4)	-
Increases as a result of changes in the measure of progress	200	-
Effects of movements in exchange rates	9	(17)
Balance as at 31 December 2021	260	(409)

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

	31 December 2022	31 December 2021 (restated)*
Within 1 year	1,670	1,293
Between 1and 2 years	878	1,007
Between 2 and 5 years	802	966
More than 5 years	1,041	1,090
Transaction price on performance obligations yet to be satisfied	**4,391**	**4,356**

*In 2022, the Group re-evaluated the relevance of selected contracts with customers to be presented as the transaction price on performance obligations yet to be satisfied. The comparative figures for 2021 were restated accordingly.

E.6. Inventories and programming assets

Inventories comprise the following.

In millions of EUR

	31 December 2022	31 December 2021
Mechanical engineering inventories	343	193
Goods/merchandise for resale	98	88
Trading property	-	59
Agricultural inventories	-	7
Other inventory	3	-
Total inventories	**444**	**347**

The carrying amounts of inventories comprise impairment allowance of EUR 32 million (2021: EUR 29 million) which represents notably an allowance for mechanical engineering categories and slow-moving and damaged items.

Programming assets comprise the following:

In millions of EUR

	31 December 2022	31 December 2021
Acquired programming rights	87	72
Produced programming rights	112	83
Released	65	48
Completed but not transmitted	1	6
In the course of production	46	29
Prepayments on acquired programming rights, other programming assets	57	49
Total programming assets	**256**	**204**

Programming assets relate solely to Group's media business, represented by the CME group. The balance contains acquired licenses from third parties, own production and related prepayments.

E.7. Assets held for sale and liabilities associated with held for sale

As at 31 December 2022, assets held for sale and liabilities associated with held for sale represent mainly assets and liabilities of the Asian Home Credit businesses (refer to B.2.2), the Comcity real estate project (refer to B.2.6.1), a 20% share in LEAG joint-venture investment (refer to B.3.6), and a remaining share with significant influence in Home Credit Insurance LLC (refer to B.2.1).

As at 31 December 2021, the balance represented an investment property item of EUR 42 million under ISK Klokovo LLC real estate project which was sold in March 2022 (refer to B.2.5.1 for detail), and a part of Mall Group associate's carrying amount of EUR 7 million (refer to E.8 below and B.3.4). The following table shows the breakdown of assets held for sale and liabilities associated with assets held for sale per the above-mentioned businesses, and major classes of assets:

Assets held for sale

In millions of EUR

	31 December 2022	31 December 2021
Asian Home Credit business	1,047	-
Cash and cash equivalents	54	-
Financial assets at fair value through profit or loss and hedging	8	-
Loans due from customers	879	-
Other assets	106	-
Comcity real estate project (Charlie Com LLC)	116	-
Investment property	112	-
Other assets	4	-
LEAG	435	-
Home Credit Insurance LLC	2	-
ISK Klokovo LLC	-	42
Mall Group	-	7
Other	6	1
Total assets held for sale	**1,606**	**50**

Liabilities directly associated with assets held for sale

In millions of EUR

	31 December 2022	31 December 2021
Asian Home Credit business	742	-
Due to banks and other financial institutions	577	-
Other liabilities	165	-
Comcity real estate project (Charlie Com LLC)	128	-
Due to banks and other financial institutions	76	-
Due to non-banks	47	
Trade and other payables	5	-
Total liabilities directly associated with assets held for sale	**870**	**-**

Loans to customers - retail

The following tables summarise the credit quality of the Asian Home Credit business loans exposure. All loans presented below are unsecured:

In millions of EUR, as at 31 December 2022

Loan exposure	Cash loans	Consumer loans	Revolving loans	Total
Gross amount	**355**	**585**	**40**	**980**
Stage 1	267	533	36	836
Stage 2	62	22	2	86
Stage 3	26	30	2	58
POCI	-	-	-	-
Loss allowance	**(41)**	**(56)**	**(4)**	**(101)**
Stage 1	(14)	(26)	(2)	(42)
Stage 2	(7)	(12)	(1)	(20)
Stage 3	(20)	(18)	(1)	(39)
POCI	-	-	-	-
Total carrying amount	**314**	**529**	**36**	**879**

E.8. Equity-accounted investees

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

In millions of EUR

	31 December 2022	31 December 2021
LEAG*	652	909
MONETA	493	472
ClearBank	88	40
Metropolis (Russia)	61	56
ITIS Holding (refer to B.3.5)**	57	-
Temsa**	31	24
Heureka Group	27	26
Vivantis and Mallpay (under Mall Group)	-	15
Other	73	78
Total equity-accounted investees	**1,482**	**1,620**

*Represents 30% shareholding in the joint-venture investment in LEAG as at 31 December 2022 – refer to B.3.6 and E.7 (2021: 50% shareholding).
**a joint-venture

The following table shows the breakdown of the share on profits and losses of equity-accounted investees:

In millions of EUR

	31 December 2022	31 December 2021
LEAG*	800	(54)
MONETA	50	(1)
ClearBank	20	(25)
Metropolis (Russia)	(14)	(3)
ITIS Holding (refer to B.3.5)**	40	-
Temsa**	3	2
Heureka Group	3	5
Vivantis and Mallpay (under Mall Group)***	(5)	(2)
Other	(6)	4
Total share of profit/(loss) in equity-accounted investees	**891**	**(74)**

*Represents a 50% share on profit/(loss) of the joint-venture investment in LEAG – refer to B.3.6 and E.7 (2021: a 50% share).
**a joint-venture
***For the year ended 31 December 2022, share in results of Vivantis and Mallpay only. For the year ended 31 December 2021, share in results of Mall Group incl. Vivantis and Mallpay (refer to B.3.4).

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

LEAG

Since October 2016, the Group holds a 50% share in LEAG, a German group of entities dealing with the extraction, processing, refining, and sale of lignite, and the generation of electricity and heat. LEAG operates mines, power plants, and a refining plant. As at 31 December 2022, the Group's 20% share in LEAG (out of its total 50% shareholding) was classified as an asset held-for-sale (refer to B.3.6 and E.7). The following table shows LEAG's financial position and performance:

In millions of EUR

	31 December 2022	31 December 2021
Non-current assets	3,843	2,549
Current assets	8,073	9,451
Non-current liabilities	(3,169)	(4,126)
Current liabilities	(6,573)	(6,057)
Net assets (100%)	2,174	1,817
Group's share on net assets (50.00%, 2021: 50.00%)	1,087	909
Group's share presented as held-for-sale (20.00%, 2021: nil)	435	-
Carrying amount of investment in JV (30.00%, 2021: 50.00%)	**652**	**909**
	2022	2021
Total revenue	7,973	3,417
Total net profit/(loss) for the period (100%)	1,600	(109)
Group's share on profit/(loss) (50.00%)	**800**	**(54)**
Total other comprehensive income/(expense) for the period (100%)	(902)	531
Group's share on other comprehensive income/(expense) (50%)	**(451)**	**266**
Total impact of initial application of IAS 37 amendments (100%)*	(345)	-
Group's share on impact of initial application of IAS 37 amendments (50%)*	(173)	-

*refer to the consolidated statement of changes in equity and F.2.1

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 result in 2022 and 2021, as well as profit or loss, follows the development of emission rights market prices. For the cumulated hedging reserve refer to E.21.4.

MONETA

As at 31 December 2022, the Group holds a 29.94% stake in MONETA Money Bank (refer to B.2.3 for the details of the acquisition realised in April 2021). The following table shows the financial position and performance of MONETA:

In millions of EUR

	31 December 2022	31 December 2021
Percentage ownership interest (direct)	**29.94%**	**29.94%**
Total assets*	16,165	13,833
Total liabilities*	(14,797)	(12,527)
Net assets (100%)	1,368	1,306
Group's share of net assets (29.94%)	410	391
Goodwill included in carrying amount of the investment	83	81
Carrying amount of investment in associate (29.94%)	**493**	**472**
	2022	2021
Total revenue	733	361
Total net profit/(loss) for the period (100%)**	167	(4)
Group's share on profit/(loss) (29.94%)**	**50**	**(1)**
Dividends received by the Group	44	-

*Being a bank, it does not report assets and liabilities in division between current and non-current parts.
**With the acquisition of significant influence of Moneta, the Group properly performed the PPA exercise (in line with IFRS 3, refer to B.2.3). Additionally, following the IFRS 9 expected credit losses guidelines, the Group recognised, immediately after the acquisition, its share on ECL day-one loss after tax of EUR 30 million on the financial assets in MONETA. Excluding this ECL day-one loss, the Group's share on profit of MONETA in 2021 would have totalled EUR 29 million.

ClearBank

ClearBank Ltd. is a licensed clearing bank operating in the UK.

During 2022, a new partner entered the business and provided additional capital with the perspective of expanding current operations. A new holding company for ClearBank's structure, CB Growth Holdings Limited ("CBGH"), was formed. With the entrance of the new partner, the Group's original shareholding of 44.78% in ClearBank Ltd. transformed into an approx. 35% share in CBGH, while the Group kept its significant influence over the ClearBank project.

The following table shows the bank's performance:

In millions of EUR

	31 December 2022	31 December 2021
Non-current assets	37	33
Current assets	3,579	3,265
Current liabilities	(3,417)	(3,214)
Net assets (100%)	199	84
Group's share of net assets (35.35%; 2021: 44.78%)	70	38
Goodwill included in carrying amount	18	2
Carrying amount of investment in associate	**88**	**40**

	31 December 2022	31 December 2021
Total net loss for the period (100%)	(4)	(34)
Group's share on the net loss (35.35%; 2021: 44.78%)	(4)	(15)
Dilution gain/(loss)	24	(10)
Total share on profit/(loss) for the period (35.35%; 2021 44.78%)	**20**	**(25)**

Metropolis (Russia)

In July 2015, the Group acquired a 49.99% stake in entities holding two up-and-running Moscow office buildings. In 2022, due to the positive development of the rouble exchange rate, the project made a revaluation loss compensated by a translation gain (100%) of EUR 38 million (2021: a translation gain of EUR 27 million), recorded directly in equity.

In millions of EUR

	31 December 2022	31 December 2021
Percentage ownership interest (direct)	**49.99%**	**49.99%**
Non-current assets	375	355
Current assets	19	19
Non-current liabilities	(262)	(248)
Current liabilities	(10)	(14)
Net assets (100%)	122	112
Carrying amount of investment in associate (49.99%)	**61**	**56**
	2022	**2021**
Total revenue	43	34
Total net loss for the period (100%)	(28)	(5)
Group's share on loss (49.99%)	**(14)**	**(3)**
Total other comprehensive income for the period (100%)	38	27
Group's share on other comprehensive income (49.99%)	**19**	**14**

ITIS Holding a.s.

ITIS Holding is a joint project combining Czech and Slovak toll operating and supporting activities for toll operations in the Czech Republic and Slovakia. ITIS Holding was formed in August 2022 (refer to B.3.5).

The following table presents the performance of ITIS Holding a.s.:

In millions of EUR

	31 December 2022
Percentage ownership interest (direct)	**50.00%**
Non-current assets	88
Current assets	189
Non-current liabilities	(38)
Current liabilities	(125)
Net assets (100%)	114
Carrying amount of investment in JV (50%)	**57**
	2022*
Total revenue	
Total net profit for the period (100%)	80
Group's share on the profit (50%)	**40**
Dividends received by the Group	8

*Since formation on 31 August 2022 to 31 December 2022

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 subsidiaries in Germany, France, and the USA responsible for sales and marketing activities. In the financial year ended 31 December 2022, Turkey met the requirements to be designated as a hyperinflationary economy under IAS 29 'Financial Reporting in Hyperinflationary Economies'. The Group has therefore applied hyperinflationary accounting as specified in IAS 29, since for the reporting period commencing 1 January 2022, Temsa's functional currency is the Turkish lira.

The following table presents the performance of TEMSA:

In millions of EUR

	31 December 2022	31 December 2021
Percentage ownership interest (direct)	**50.00%**	**50.00%**
Non-current assets	88	79
Current assets	141	110
Non-current liabilities	(73)	(81)
Current liabilities	(93)	(60)
Net assets (100%)	63	48
Carrying amount of investment in JV (50%)	**31**	**24**
	2022	2021
Total revenue	291	163
Total net profit for the period (100%)	7	4
Group's share on the profit (50%)	**3**	**2**
Total other comprehensive income for the period (100%)	8	-
Group's share on other comprehensive income (50%)	**4**	**-**

Heureka Group

The following table presents the financial position and performance of Heureka Group:

In millions of EUR

	31 December 2022	31 December 2021
Percentage ownership interest (direct)	**40.00%**	**40.00%**
Non-current assets	45	30
Current assets	24	36
Non-current liabilities	(207)	(200)
Current liabilities	(25)	(24)
Net assets (100%)	(163)	(158)
Group's share of net assets (40.00%)	(65)	(63)
Goodwill included in carrying amount	92	89
Carrying amount of investment in associate (40.00%)	**27**	**26**
	2022	2021
Total revenue	80	77
Total net profit for the period (100%)	8	13
Group's share on profit (40.00%)	**3**	**5**

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. Mall and Heureka subsequently demerged into discreet subgroups. In April 2022, the Group sold its share in Mall Group (refer to B.3.4), which was eventual result of a transaction signed during 2021, so the related part of the carrying amount of this equity-accounted investee was presented under assets held for sale (refer to E.7).

The following table presents the performance of Mall Group:

In millions of EUR

	31 December 2021
Percentage ownership interest (direct)	**40.00%**
Non-current assets	108
Current assets	234
Non-current liabilities	(36)
Current liabilities	(251)
Net assets (100%)	55
Carrying amount of investment in associate (40.00%)*	**22**
	2021
Total revenue	626
Total net loss for the period (100%)	(4)
Group's share on loss (40.00%)	**(2)**

*of which Mall pay and Vivantis represent EUR 15 million. Those remaining EUR 7 million relating to the held-for-sale part were sold during April 2022.

E.9. Investment property

Investment property comprises projects located in the USA, the Russian Federation, the Netherlands, the UK, the Czech Republic, Romania, Poland, 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 2022

	USA	Russia	Netherlands	UK	Czech Republic	Romania	Poland	Germany	Total
Office	398	131	315	116	96	94	93	28	1,271
Retail	-	154	24	-	-	-	-	-	178
Residential	22	1	-	28	23	-	-	-	74
Warehouse	-	66	-	-	-	-	-	-	66
Land plot	21	1	-	-	7	13	-	-	42
Other	-	1	-	-	-	-	-	-	1
Total investment property	**441**	**354**	**339**	**144**	**126**	**107**	**93**	**28**	**1,632**

In millions of EUR, as at 31 December 2021

	USA	Russia	Netherlands	UK	Czech Republic	Romania	Poland	Germany	Total
Office	407	503	366	129	95	94	76	32	1,702
Warehouse	-	339	-	-	-	-	-	-	339
Retail	-	260	25	-	-	-	-	-	285
Residential	-	1	-	29	19	-	-	-	49
Land plot	-	30	-	-	7	-	-	-	37
Other	-	1	-	-	-	-	-	-	1
Total investment property	**407**	**1,134**	**391**	**158**	**121**	**94**	**76**	**32**	**2,413**

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

In millions of EUR, for the year ended 31 December

	2022	2021
Balance as at 1 January	2,413	1,791
Disposals resulting from business combination (refer to B.2.6)	(787)	(4)
Additions - direct acquisition through asset deal	22	462
Additions - capitalised costs	71	71
Disposals	-	(16)
Transfer to assets held for sale (refer to E.7)	(113)	(43)
Transfer to property, plant & equipment (refer to B.2.4)	(39)	-
Unrealised gains from investment property	26	74
Unrealised losses from investment property	(207)	(32)
Effect of movements in exchange rates	246	110
Balance as at 31 December 2022/2021	**1,632**	**2,413**

In 2022, significant sales of investment properties are described in section B.2.6.

The most significant developments in the real estate segment in 2021 were as follows:

- an acquisition of up and running office complex Mansell Overlook near Atlanta (USA) in March 2021;
- an acquisition of up and running office complex South Park Center in Orlando (USA) in December 2021;
- an acquisition of up and running office building New City in Warsaw (Poland) in December 2021.

E.9.1. 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)
Poland	office	Income approach
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
USA	office	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 2022

	Current income per sqm	Market rent per sqm	Initial yield	Reversionary yield
Netherlands	EUR 13.02-17.94	EUR 11.93-18.35	4.8%-8.5%	6.11%-10.84%
Germany	EUR 11.65	EUR 12.06	5.31%	6.39%
Czech Republic	EUR 11.03-15.67	EUR 14.61-16.11	4.72%-7.54%	6.57%-7.59%
Russia	EUR 8.17-38.66	EUR 7.66-41.92	8.82%-11.46%	9.57%-13.07%
Poland	EUR 13.46	EUR 16.93	8.75%	8.50%
Romania	EUR 14.06-17.7	EUR 17.84-18.4	8.04%-8.09%	7.96%-8.38%
United Kingdom	EUR 10.58	EUR 36.25	0.21%	7.57%
USA	EUR 15.7-18.54	EUR 20.68-21.85	5.53%-6.13%	7.7%-7.97%

For the year ended 31 December 2021

	Current income per sqm	Market rent per sqm	Initial yield	Reversionary yield
Netherlands	EUR 11.52-17.34	EUR 11.78-17.66	4.5%-8.4%	5.8%-10.9%
Germany	EUR 11.06	EUR 12.06	4.81%	5.67%
Czech Republic	EUR 11.03-15.12	EUR 14.13-15.12	5.01%-7.34%	6.13%-7.49%
Russia	EUR 4.49-37.71	EUR 4.71-41.85	7.87%-11.14%	8.25%-11.55%
Romania	EUR 8.23-16.38	EUR 17.92-18.46	7%-7.6%	7.97%-8.55%
United Kingdom	EUR 14.61	EUR 39.86	0.76%	7.52%
USA	EUR 16.8	EUR 21.93	5.58%	7.90%

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.10. 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 2022

	Land and buildings	Ducts, cables and related plant	Telecom technology and related equipment	Other tangible assets and equipment	Construction in progress	Total
Cost	1,088	1,923	1,418	847	254	5,530
Accumulated depreciation and impairment losses	(264)	(614)	(728)	(469)	(8)	(2,083)
Carrying amount as at 1 January 2022	**824**	**1,309**	**690**	**378**	**246**	**3,447**
Additions resulting from business combinations	2	-	-	5	-	7
Additions	13	41	167	79	189	489
Disposals resulting from business combinations	(43)	-	-	(18)	-	(61)
Disposals	(3)	-	(5)	(18)	(3)	(29)
Transfers from investment property (refer to B.2.4)	39	-	-	-	-	39
Transfer to assets held for sale (refer to E.7)	(1)	-	-	(8)	(1)	(10)
Other transfers	29	16	57	24	(129)	(3)
Depreciation charge (incl. discontinued operations)	(34)	(80)	(182)	(101)	-	(397)
Impairment reversal/(charge)	(11)	-	(2)	-	(2)	(15)
Effect of movements in exchange rates	27	39	5	4	2	77
Carrying amount as at 31 December 2022	**842**	**1,325**	**730**	**345**	**302**	**3,544**
Cost	1,126	2,039	1,587	772	309	5,833
Accumulated depreciation and impairment losses	(284)	(714)	(857)	(427)	(7)	(2,289)

The roll-forward of right-of-use assets amounting to EUR 668 million as at 31 December 2022 (2021: EUR 720 million) is disclosed in E.23.1.

In millions of EUR, for the year ended 31 December 2021

	Land and buildings	Ducts, cables and related plant	Telecom technology and related equipment	Other tangible assets and equipment	Construction in progress	Total
Cost	983	1,761	1,272	695	173	4,884
Accumulated depreciation and impairment losses	(222)	(510)	(591)	(389)	(4)	(1,716)
Carrying amount as at 1 January 2021	**761**	**1,251**	**681**	**306**	**169**	**3,168**
Additions resulting from business combinations	11	-	-	81	16	108
Additions	41	39	142	88	168	478
Disposals resulting from business combinations	(8)	-	(16)	-	(7)	(31)
Disposals	(1)	-	(2)	(14)	(1)	(18)
Other transfers	14	26	42	16	(98)	-
Depreciation charge (incl. discontinued operations)	(36)	(75)	(172)	(110)	-	(393)
Impairment reversal/(charge)	4	-	(1)	-	(6)	(3)
Effect of movements in exchange rates	38	68	16	11	5	138
Carrying amount as at 31 December 2021	**824**	**1,309**	**690**	**378**	**246**	**3,447**
Cost	1,088	1,923	1,418	847	254	5,530
Accumulated depreciation and impairment losses	(264)	(614)	(728)	(469)	(8)	(2,083)

In both periods, the most significant additions of PPE relate to the construction and modernisation of a mobile telecommunication infrastructure mainly in the Czech Republic (related radio network modernization and roll-out of 5G and continuous investments into a fixed network), Hungary (radio network modernization and roll-out of 5G), Slovakia (radio network modernization and roll-out of 5G) and Bulgaria (roll-out of 5G).

E.11. Intangible assets and goodwill

E.11.1. Goodwill

The following table shows the roll-forward of goodwill:

In millions of EUR, for the year ended 31 December

	2022	2021
Balance as at 1 January	2,984	2,955
Additions resulting from business combinations	30	38
Disposals resulting from business combinations	-	(42)
Impairment losses recognised	-	(16)
Other*	(35)	-
Effect of movements in exchange rates	8	49
Balance as at 31 December	**2,987**	**2,984**

*Goodwill resulting from the acquisition of Cytune Pharma was transferred to intangible assets as a result of the subsequent reassessment of purchase price allocation exercise.

Goodwill is allocated to individual CGUs as follows:

In millions of EUR

	31 December 2022	31 December 2021
O2 CZ	421	408
O2 Slovakia	40	40
CETIN CZ	117	114
CETIN Hungary	169	184
CETIN Bulgaria	104	104
CETIN Serbia	189	188
Yettel Hungary*	173	188
Yettel Bulgaria*	118	118
Yettel Serbia*	184	183
CME - Bulgaria	58	58
CME - Czech Republic	686	666
CME - Romania	365	365
CME - Slovakia	201	201
CME - Slovenia	90	90
CME – Croatia (refer to B.2.5)	24	-
Other	48	77
Total goodwill**	**2,987**	**2,984**

*On 1 March 2022 rebranded from Telenor to Yettel.
**Changes in value of goodwill are primarily affected by changes in FX rates.

Goodwill is tested semi-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.

<u>O2 CZ and O2 Slovakia</u>

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 an enterprise valuation model and assessed from the group-internal perspective. Value in use is derived from the medium-term forecast for a period of five years (from 2023 to 2027), prepared by the management at the time of the impairment test. The forecast is also based on future market trends, general macroeconomic 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 calculation of value in use is the 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 2.0% 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 2022 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 2022.

<u>YETTEL</u>

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

The impairment test involves determining the recoverable amounts of the above four cash-generating units, which correspond 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 2023 to 2027), prepared by management at the time of the impairment test. The forecast is also based on future market trends, general macroeconomic 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 each Yettel CGU are the 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 2.0% 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 analysts as a benchmark for the weighted average cost of capital is used to determine the discount rate for each respective Yettel CGU. The resulting discount rates and their effect on value in use are tested for sensitivity. The current methodology used as at 31 December 2022 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 2022.

CETINs

CETIN's businesses represent operating companies in four countries and were identified as individual CGUs for the purposes of the impairment test. These operating businesses are in Czech Republic, Hungary, Bulgaria and Serbia.

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 2023 to 2029), prepared by management and most recent at the time of the impairment test. Management believes that use of longer than usual 5 years forecast of future cashflows is sufficiently reliable due to long term contracts with operating companies (e.g., MSA and MOSA contracts). 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 the 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 2.0% 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 at 31 December 2022 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 EBITDA of the peer public companies for 2022. EV/Sales multiple is considered as well.

CME

CME subgroup is managed on a geographical basis, with six operating segments: Bulgaria, the Czech Republic, Croatia, Romania & Moldova, Slovakia and Slovenia where these segments were also identified as the respective CGUs for the purposes of the goodwill impairment testing.

The impairment test involves determining each CGU's recoverable amount, corresponding to its value in use, and comparing this to its carrying value as at the valuation date. Value in use 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 CME subgroup's 2023 budget and most recent long-term plan prepared by the management at the time of the impairment testing. CME subgroup's 2023 budget and long-term plan (2024 - 2026) are based on past experience, expected macroeconomic and television advertising market trends and other information known to the business.

The calculation of a CGU's value in use is the 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. The Group has conservatively applied a terminal growth rate of 2% for each CGU (2021: a 2% growth).

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.

E.11.2. Intangible assets

Intangible assets comprise the following:

In millions of EUR

	31 December 2022	31 December 2021
Software	461	557
Licences	659	526
Customer relationships	538	652
In-process research and development	85	47
Trademark	293	353
Other	76	128
Work in progress	141	150
Total intangible assets	**2,253**	**2,413**

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 CZ, O2 Slovakia and Yettel, 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 2022

	Software	Licences	Customer relation-ships	IPRD	Trade-marks*	Other intangible assets	Work in progress	Total
Cost	1,558	954	1,300	88	566	200	155	4,821
Accumulated amortisation and impairment losses	(1,001)	(428)	(648)	(41)	(213)	(72)	(5)	(2,408)
Carrying amount as at 1 January 2022	**557**	**526**	**652**	**47**	**353**	**128**	**150**	**2,413**
Additions resulting from business combinations	4	-	-	-	-	-	-	4
Additions	111	157	-	4	12	29	113	426
Additions from internal development	32	-	-	-	-	-	3	35
Disposals resulting from business combinations	(68)	-	-	-	-	(1)	(7)	(76)
Disposal	-	(1)	-	-	(74)	-	(3)	(78)
Transfer to assets held for sale	(13)	-	-	-	-	-	(3)	(16)
Transfers from goodwill (refer to E.11.1)	-	-	-	33	-	-	-	33
Other transfers	36	74	-	8	5	(2)	(114)	7
Amortisation charge (incl. discontinued operations)	(192)	(85)	(108)	(6)	(8)	(29)	-	(428)
Impairment reversal/(charge)	(29)	-	-	(2)	-	(51)	(2)	(84)
Effect of movements in exchange rates	23	(12)	(6)	1	5	2	4	17
Carrying amount as at 31 December 2022	**461**	**659**	**538**	**85**	**293**	**76**	**141**	**2,253**
Cost	1,565	1,070	1,300	135	478	223	144	4,915
Accumulated amortisation and impairment losses	(1,104)	(411)	(762)	(50)	(185)	(147)	(3)	(2,662)

*Trademarks with total cost of EUR 219 million (no accumulated impairment) are evaluated as having an indefinite useful life, not amortised but annually tested for impairment.

In June 2022, through its industrial companies under Škoda Group, the Group entered into an agreement with Volkswagen Group's Škoda Auto to settle all trademark disputes over the use of the Škoda brand. As part of the settlement, the Group sold its current ŠKODA trademark and recognised a gain from sale presented as other income in the consolidated statement of income. The Group, however, will be able to use name Škoda, as well as the winged-arrow logo until 2029 under a license agreement. Accordingly, a new licensed trademark intangible asset was recognised under trademark category as an addition in the above table.

In millions of EUR, for the year ended 31 December 2021

	Software	Licences	Customer relation-ships	IPRD	Trade-marks*	Other intangible assets	Work in progress	Total
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)
Carrying amount as at 1 January 2021	**542**	**556**	**764**	**206**	**349**	**124**	**143**	**2,684**
Additions resulting from business combinations	6	5	-	-	19	-	-	30
Additions	88	32	-	6	6	20	84	236
Additions from internal development	52	-	-	2	-	-	12	66
Disposals resulting from business combinations	(3)	(9)	(12)	-	-	-	(2)	(26)
Disposal	(2)	(7)	-	-	-	(1)	(2)	(12)
Other transfers	51	34	-	(1)	-	7	(91)	-
Amortisation charge (incl. discontinued operations)	(205)	(91)	(109)	(1)	(11)	(34)	-	(451)
Impairment reversal/(charge)	2	-	-	(177)	(21)	-	(1)	(197)
Effect of movements in exchange rates	26	6	9	12	11	12	7	83
Carrying amount as at 31 December 2021	**557**	**526**	**652**	**47**	**353**	**128**	**150**	**2,413**
Cost	1,558	954	1,300	88	566	200	155	4,821
Accumulated amortisation and impairment losses	(1,001)	(428)	(648)	(41)	(213)	(72)	(5)	(2,408)

*Trademarks with total cost of EUR 216 million (no accumulated impairment) are evaluated as having an indefinite useful life, not amortised but annually tested for impairment.

In 2021, the impairment of in-process-research-and-development assets relates to biotech business.

E.12. Other assets

Other assets comprise the following:

In millions of EUR

	31 December 2022	31 December 2021
Prepaid expenses and advances	199	192
Cost to obtain or fulfil the contract	97	72
Cash collateral for payment cards	58	78
Receivables from sale of shares in subsidiaries, associates and JVs	37	13
Other settlements accounts	34	23
Other tax receivables	25	57
Specific deposits and other specific receivables	14	47
Insurance related other assets	3	4
Other	82	84
Biological assets (refer to B.2.6.2)	-	5
Subtotal other assets (gross)	**549**	**575**
Individual loss allowance	(34)	(5)
Deferred expenses and advances	(1)	(1)
Specific deposits and other specific receivables	(2)	(2)
Receivables from sale of shares in subsidiaries, associates and JVs	(31)	-
Other	-	(2)
Total other assets (net)	**515**	**570**

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.13. Financial liabilities at fair value through profit or loss

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

In millions of EUR

	31 December 2022	31 December 2021
Negative fair values of trading derivatives	657	629
Interest rate derivatives	581	546
Currency derivatives	76	83
Negative fair values of hedging derivatives	4	6
Liabilities from short sales of securities	347	411
Liabilities from repo operations	100	-
Other	192	34
Total financial liabilities at FVTPL	**1,300**	**1,080**

Details of trading derivatives are provided in the following tables:

In millions of EUR, as at 31 December 2022

Interest rate derivatives	Notional amount	Positive fair values*	Negative fair values
OTC products:			
Forward rate agreements	2,739	1	(1)
Interest rate swaps	10,843	610	(580)
Interest rate options (purchase)	218	5	-
Other	43	1	-
Exchange-traded products:			
Interest rate futures	1	-	-
Total	**13,844**	**617**	**(581)**
Currency derivatives			
OTC products:			
Forward exchange contracts	615	15	(16)
Currency swap contracts	5,506	119	(60)
Foreign exchange options (purchase)	5	-	-
Foreign exchange options (sale)	5	-	-
Total	**6,131**	**134**	**(76)**

*refer to E.2.1.

In millions of EUR, as at 31 December 2021

Interest rate derivatives	Notional amount	Positive fair values*	Negative fair values
OTC products:			
Forward rate agreements	3,614	1	(8)
Interest rate swaps	14,089	538	(536)
Other	43	-	(1)
Exchange-traded products:			
Interest rate futures	84	-	-
Total	**17,830**	**539**	**(545)**
Currency derivatives			
OTC products:			
Forward exchange contracts	1,099	8	(31)
Currency swap contracts	3,384	48	(44)
Foreign exchange options (purchase)	279	8	-
Foreign exchange options (sale)	283	-	(8)
Total	**5,045**	**64**	**(83)**

*refer to E.2.1.

The following tables shows details of the hedging derivatives:

In millions of EUR, as at 31 December 2022

	Notional amount	Positive fair values*	Negative fair values
Forward exchange contracts	77	8	-
Currency swap contracts	386	23	(1)
Interest rate swap contracts	927	142	(3)
Total	**1,390**	**173**	**(4)**

*refer to E.2.1.

In millions of EUR, as at 31 December 2021

	Notional amount	Positive fair values*	Negative fair values
Forward exchange contracts	251	14	-
Currency swap contracts	367	6	(3)
Interest rate swap contracts	660	87	(3)
Total	**1,278**	**107**	**(6)**

*refer to E.2.1.

E.14. Liabilities due to non-banks

Liabilities due to non-banks comprise the following:

In millions of EUR

	31 December 2022	31 December 2021
Current accounts and demand deposits	8,114	8,210
Term deposits	1,906	2,382
Loans received under repos	3,174	2,065
Loans	13	17
Collateral deposits for derivatives	-	5
Other	-	1
Total liabilities due to non-banks	**13,207**	**12,680**

The table shows the liabilities owed to corporate and individual clients of the Group, the bulk of which relates to the banking business of PPF bank, Air Bank and Home Credit and Finance Bank (Home Credit and Finance Bank in 2021 only).

During the year ended 31 December 2022, the decrease in term deposits was caused by the disposal of Home Credit and Finance Bank LLC (refer to B.2.1).

E.15. 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 2022	31 December 2021
Secured loans (other than repos)	4,039	6,325
Unsecured loans	1,493	3,290
Loans received under repos	683	1,590
Collateral deposits for derivatives	326	129
Repayable on demand	9	-
Other	2	19
Total liabilities due to banks	**6,552**	**11,353**

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

In October 2019, TV Bidco B.V. consolidating the media segment 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. As at 31 December 2022, the outstanding principal amount of these facilities is EUR 923 million (2021: EUR 990 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. With effect on 11 May 2022, CME Media Enterprises B.V. merged with CME Investments B.V. and TV Bidco B.V. and, as the surviving entity, became the guarantor of this senior facilities agreement.

The remainder of 31 December 2022 and 31 December 2021 balances of secured loans represent a higher number of various loans mostly from financial services and real estate segments.

Unsecured loans include the following significant loans facilities related to telecommunication business:

CETIN Group N.V., PPF Telecom Group B.V.'s subsidiary, became a party to a term and revolving facilities agreement with a syndicate of banks in August 2021. CETIN Group N.V. then utilised bridge, term, and incremental term loan facilities amounting to EUR 1,450 million in aggregate. In April 2022, CETIN Group N.V. issued senior notes with the total nominal amount of EUR 500 million with maturity in 2027 and used the proceeds to prepay the bridge (in full) and term loans. Consequently, the outstanding principal amounts of the loans as at 31 December 2022 were EUR 511 million for the term loan and EUR 444 million for the incremental term loan. 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 2022 and 31 December 2021, a committed revolving facility of EUR 200 million was undrawn.

As at 31 December 2022 and 31 December 2021, the Group complied with the financial covenants imposed by its loans facilities.

E.16. 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

	31 December 2022	31 December 2021
Fixed rate debt securities	**3,860**	**3,426**
Within 1 year	860	401
1-2 years	780	504
2-3 years	658	754
3-4 years	559	617
4-5 years	1,003	651
More than 5 years	-	499
Variable rate debt securities	**132**	**115**
Within 1 year	46	70
1-2 years	33	45
3-4 years	53	-
Total debt securities issued	**3,992**	**3,541**

As at 31 December 2022, debt securities issued of EUR 18 million (2021: EUR 11 million) were secured, of which EUR 15 million (2021: EUR 9 million) by cash loan receivables, EUR 3 million (2021: EUR 1 million) by consumer loan receivables, EUR nil million (2021: EUR 1 million) by cash and cash equivalents.

In April 2022, the Group's subsidiary CETIN Group N.V. established EUR 2,000 million Euro medium term note programme under which it issued senior notes with the total nominal amount of EUR 500 million. CETIN Group N.V. used the bond proceeds to repay its outstanding bank loans (refer to E.15).

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 2,250 million. As at 31 December 2022 and 2021, the unused capacity of the programme was EUR 750 million. Most of the bond proceeds were used to repay the Group's secured loans.

E.17. Subordinated liabilities

Subordinated liabilities comprise the following:

In millions of EUR

	Interest rate	Maturity	31 December 2022	31 December 2021
Bond issue of CZK 4,000 million	Variable	2027	-	158
Bond issue of EUR 92 million	Variable	2028	18	17
Bond issue of EUR 80 million	Fixed	2031	14	14
Bond issue of CZK 290 million	Variable	2029	12	11
Total subordinated liabilities			**44**	**200**

The bond issue of CZK 4,000 million was issued in December 2017. The interest rate was determined as a fixed rate for the first two years and subsequently, in 2020 in accordance with the contractual terms, it was changed to a floating rate (variable). In September 2022, the Group’s subsidiary PPF Financial Holdings a.s. as the issuer these Tier 2 bonds listed on the Prague Stock Exchange received approval from the Czech National Bank to exercise the early redemption option to redeem the outstanding CZK 4,000 (approx. EUR 162 million) of the bonds. PPF Financial Holdings a.s. exercised its option to redeem the bond in full on 19 December 2022. The redemption complies with bond issuance terms and conditions.

The bond issue of EUR 92 million was issued in September 2018. The bonds bear a variable coupon rate of 6M EURIBOR + 2.95 p.a., but until September 2021 they bore a fixed coupon rate of 3.6% p.a. Their final maturity is in September 2028. The Group has an early redemption option exercisable in September 2023. Most of the bond issue made by a subsidiary was acquired by the Parent Company during 2021.

The bond issue of EUR 80 million was issued in July 2021. The bonds bear a fixed coupon rate of 3.6% p.a., and their final maturity is in July 2031. The Group has an early redemption option exercisable in July 2026. As at 31 December 2022 and 2021, a significant part of the issue was held by the Parent Company.

The bond issue of CZK 290 million was issued in October 2019. The bonds bear a variable coupon rate of 12M PRIBOR + 2.3% p.a., and their final maturity is in October 2029. The Group has an early redemption option exercisable in February 2025.

E.18. Trade and other payables

Trade and other payables comprise the following:

In millions of EUR

	31 December 2022	31 December 2021
Settlements with suppliers	907	942
Wages and salaries	176	194
Social security and health insurance	44	40
Other taxes payable	87	91
Lease liabilities	660	707
Accrued expenses	236	253
Deferred income	122	89
Advances received	37	43
Customer loan overpayments	93	144
Financial settlement and other similar accounts	11	16
Deferred payment for acquisition of Yettel *(formerly Telenor)*	-	104
Liabilities from acquisitions of subsidiaries or equity-accounted investees	9	-
Payables arising out of insurance operations	4	3
Programming related liabilities - media	69	56
Other	71	82
Total trade and other payables	**2,526**	**2,764**

E.19. Insurance and other provisions

Provisions comprise the following:

In millions of EUR

	31 December 2022	31 December 2021
Insurance provisions	206	196
Provisions for asset retirement obligations	49	51
Warranty provisions	36	29
Provisions for litigation except for tax-related litigations	15	20
Provisions for onerous contracts	7	9
Other provisions	67	85
Provisions for insurance commissions return	-	11
Provisions for restructuring	3	4
Provisions for expected credit losses from loan commitments and financial guarantees	6	3
Other	58	67
Total provisions	**380**	**390**

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

In millions of EUR, for the year ended 31 December 2022

	Provisions for asset retirement obligations	Warranty provisions	Provisions for litigation except for tax-related litigations	Provisions for onerous contracts	Other provisions	Total
Balance as at 1 January	**51**	**29**	**20**	**9**	**85**	**194**
Disposals resulting from business combinations	-	-	-	-	(20)	(20)
Provisions created during the year	14	22	1	1	51	89
Provisions used during the year	(3)	(14)	(3)	(2)	(29)	(51)
Provisions released during the year	(11)	(1)	(4)	(2)	(22)	(40)
Effect of movements in exchange rates	(2)	-	1	1	2	2
Balance as at 31 December	**49**	**36**	**15**	**7**	**67**	**174**
Non-current (> 1 year)	49	1	8	2	14	74
Current (< 1 year)	-	35	7	5	53	100
Total provisions	**49**	**36**	**15**	**7**	**67**	**174**

In millions of EUR, for the year ended 31 December 2021

	Provisions for asset retirement obligations	Warranty provisions	Provisions for litigation except for tax-related litigations	Provisions for onerous contracts	Other provisions	Total
Balance as at 1 January	**62**	**20**	**11**	**10**	**71**	**174**
Disposals resulting from business combinations	(2)	-	-	-	(1)	(3)
Provisions created during the year	7	19	10	7	94	137
Provisions used during the year	(1)	(11)	(1)	(8)	(67)	(88)
Provisions released during the year	(16)	-	(1)	-	(15)	(32)
Effect of movements in exchange rates	1	1	1	-	3	6
Balance as at 31 December	**51**	**29**	**20**	**9**	**85**	**194**
Non-current (> 1 year)	51	1	6	3	11	72
Current (< 1 year)	-	28	14	6	74	122
Total provisions	**51**	**29**	**20**	**9**	**85**	**194**

The Group recognised a provision for asset retirement obligations of EUR 49 million (2021: EUR 51 million). The amount of the provision is affected by the decreased 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.19.1. Insurance provisions

Insurance provisions comprise the following:

In millions of EUR

	31 December 2022	31 December 2021
Non-life insurance provisions*	-	33
Provisions for unearned premiums	-	32
Provisions for outstanding claims	-	1
RBNS provisions	-	1
Life insurance provisions	206	163
Provisions for outstanding claims	5	3
Mathematical provisions	187	150
Provisions for profit participation allocated to policyholders	13	9
Other insurance provisions	1	1
Total insurance provisions	**206**	**196**

*Non-life insurance provisions were disposed with the loss control over HC Ins in May 2022 (refer to B.2.1).

Movements in provisions for unearned premiums (gross amount) can be analysed as follows:

In millions of EUR, for the year ended 31 December

	2022	2021
Balance as at 1 January	32	27
Disposals resulting from business combinations	(44)	
Premiums written during the year	1	23
Premiums earned during the year	(1)	(21)
Effect of movements in exchange rates	12	3
Balance as at 31 December	**-**	**32**

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

In millions of EUR, for the year ended 31 December

	2022	2021
Balance as at 1 January	159	131
Mathematical provision for contracts concluded in previous years, and cancelled in the current reporting year	(9)	(5)
Mathematical provision for contracts maturing in the current reporting year	(10)	(6)
Mathematical provision for contracts expired due to death of the insured person	-	(1)
Increase in mathematical provision for active contracts concluded in previous years	33	25
Provision for insurance contracts concluded in the current period	4	4
Bonuses (profit) credited to policyholders	4	2
Effect of movements in exchange rates	19	9
Balance as at 31 December	**200**	**159**

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 2022

	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*	-	-	-	-	-	-
Life insurance provisions	16	24	22	89	55	206

*Non-life insurance provisions were disposed with the loss control over HC Ins in May 2022 (refer to B.2.1).

In millions of EUR, for the year ended 31 December 2021

	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	16	13	4	-	-	33
Life insurance provisions	12	19	17	71	44	163

E.20. Issued capital and share premium

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:

	2022	2021
Number of shares authorised	2,500,000	250,000
Number of shares issued and fully paid	624,010	62,401
Par value per share	EUR 1	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 2022, the Parent Company diluted the par value per share in 10 to 1 ratio.

As of 31 December 2022, share premium representing the excess received by the Parent Company over the par value of its share amounted to EUR 677 million (31 December 2021: EUR 677 million).

E.21. Other reserves and retained earnings

E.21.1. Retained earnings

Retained earnings include legal and statutory reserves representing reserves, the creation and use of which is limited by legislation and the articles of association of each company within the Group and that are not available for distribution to shareholders. As at 31 December 2022, these non-distributable reserves to shareholders totalled EUR 117 million (2021: EUR 110 million).

E.21.2. 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.21.3. 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. During the year ended 31 December 2022, a significant balance of accumulated translation losses totalling EUR 552 million was reclassified to profit or loss with the Group's loss of control over the Russian operations (refer to B.2.1 and B.2.6).

E.21.4. 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. For the period ending 31 December 2022, the Group recognised its share on the loss in other comprehensive income amounting to EUR 465 million (31 December 2021: a gain of EUR 263 million).

E.21.5. Reserve for puttable instruments

The reserve for puttable instruments represents the equity impact at initial recognition of the conditional commitment to acquire NCI's share of EUR 1,411 million in March 2022, and subsequent accumulated changes in its net present value resulting in a carrying amount of the reserve of negative EUR 850 million. For more details refer to B.3.3.

E.21.6. Other reserves

As at 31 December 2021, other reserves comprised primarily a balance EUR 181 million of AT1 subordinated bonds issued by one of Home Credit subgroup's subsidiaries. AT1 bonds represented perpetual subordinated loan participation notes with a nominal value of USD 200 million. The notes were non-callable for the first 5 years and 3 months and bore a discretionary fixed interest rate of 8.8% p.a. payable quarterly until 7 February 2025. Balance related to AT1 subordinated bonds was not available for distribution to the shareholders. AT1 subordinated bonds were disposed with the Group's loss of control over the Russian operations during the first half of 2022 (refer to B.2.1).

E.22. 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	2022/2021	Netherlands
PPF banka, a.s. (subgroup)	PPFB	2022/2021	Czech Republic
O2 Czech Republic a.s. (subgroup)	O2 CZ	2022/2021	Czech Republic
TMT Hungary B.V. (subgroup)	TMT	2022/2021	Netherlands
CETIN Group N.V. (subgroup)	CETIN	2022	Netherlands
TMT Hungary Infra B.V. (subgroup)	TMT Infra	2022/2021	Netherlands
Velthemia Ltd. (subgroup)	VELT	2022/2021	Cyprus
Škoda a.s. (subgroup)	MECH	2022/2021	Czech Republic*

*in 2021, Netherlands

The following table summarises the information relating to these subsidiaries:

In millions of EUR

As at 31 December 2022	HC	PPFB	O2 CZ*	TMT	CETIN**	TMT Infra***	VELT	MECH	Other	**Total**
NCI percentage (effective ownership)	**8.88%**	**7.04%**	**-%**	**25.00%**	**30.00%**	**47.50%**	**39.93%**	**14.30%**		
Total assets	10,069	11,977	1,598	799	3,733	410	72	1,428		
Total liabilities	(9,469)	(11,241)	(975)	(302)	(2,717)	(120)	-	(870)		
Net assets	**600**	**736**	**623**	**497**	**1,016**	**290**	**72**	**558**		
Net assets attributable to NCI of the sub-group	(10)	-	-	-	(73)	-	-	-		
Net assets attributable to owners of the Parent	590	736	623	497	943	290	72	558		
Carrying amount of NCI	**52**	**52**	**-**	**124**	**283**	**73**	**29**	**80**	**29**	**722**

For the year ended 31 December 2022	HC	PPFB	O2 CZ*	TMT	CETIN**	TMT Infra***	VELT	MECH	Other	**Total**
NCI percentage during the period (effective ownership)	**8.88%**	**7.04%**	**0.49%**	**25.00%**	**22.92%**	**43.75%**	**39.93%**	**14.30%**		
Revenue	1,838	498	1,393	541	1,108	131	37	775		
Profit/(loss)	(1,614)	112	686	10	224	47	(66)	132		
Other comprehensive income/(expense)	837	2	13	(41)	(2)	(23)	15	55		
Total comprehensive income/(expense)	(777)	115	699	(30)	222	24	(51)	187		
Profit/(loss) allocated to NCI	**(143)**	**8**	**3**	**3**	**52**	**12**	**(26)**	**19**	**(6)**	**(78)**
OCI allocated to NCI	**78**	**-**	**-**	**(10)**	**-**	**(6)**	**2**	**8**	**(4)**	**68**
Dividends paid to NCI	-	4	-	-	28	5	-	-	-	37

*For details on decrease in NCI‘s percentage ownership refer to B.3.1.
**For details on increase in NCI‘s percentage ownership refer to B.3.3.
***TMT Hungary Infra is part of Cetin Group subgroup.

In millions of EUR

As at 31 December 2021	HC	PPFB	O2 CZ*	TMT	TMT Infra**	VELT	MECH	Other	**Total**
NCI percentage (effective ownership)	**8.88%**	**7.04%**	**9.48%**	**25.00%**	**25.00%**	**39.93%**	**14.30%**		
Total assets	16,262	9,518	1,694	732	424	296	1,118		
Total liabilities	(14,446)	(8,836)	(1,097)	(205)	(135)	(162)	(701)		
Net assets	**1,816**	**682**	**597**	**527**	**289**	**134**	**417**		
Net assets attributable to NCI of the sub-group	(10)	-	56	-	-	-	-		
Net assets attributable to owners of the Parent	1,806	682	653	527	289	134	417		
Carrying amount of NCI	**144**	**48**	**56**	**132**	**72**	**54**	**60**	**30**	**596**

For the year ended 31 December 2021									
NCI percentage during the period (effective ownership)	**8.88%**	**7.04%**	**12.38%**	**25.00%**	**25.00%**	**39.93%**	**13.37%**		
Revenue	3,020	187	1,589	545	128	27	613		
Profit/(loss)	(303)	67	204	40	56	24	33		
Other comprehensive income	194	7	(6)	2	2	3	2		
Total comprehensive income	(109)	74	198	42	58	27	35		
Profit/(loss) allocated to NCI	**(27)**	**5**	**25**	**10**	**14**	**9**	**4**	**(5)**	**35**
OCI allocated to NCI	**16**	**1**	**4**	**(3)**	**(1)**	**3**	**2**	**1**	**23**
Dividends paid to NCI	-	-	65	21	11	-	-	-	97

*For details on decrease in NCI‘s percentage ownership refer to B.3.6.
**TMT Hungary Infra is part of Cetin Group subgroup.

E.23. Leases

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

E.23.1. Right-of-use assets

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

In millions of EUR, for the year ended 31 December 2022

	Land and buildings	Telecom. technology and related equipment	Boats	Other tangible assets and equipment	Total
Carrying amount					
Balance as at 1 January 2022	499	74	115	32	720
Additions resulting from business combinations	5	-	1	-	6
Additions	124	4	8	12	148
Disposals resulting from business combinations	(18)	-	-	-	(18)
Disposal	(13)	-	(6)	-	(19)
Transfer from other categories	49	(48)	(5)	-	(4)
Transfer to assets held for sale	(10)	-	-	-	(10)
Depreciation charge (incl. discontinued operations)	(120)	(4)	-	(33)	(157)
Impairment charge/reversal	-	-	-	(1)	(1)
Effects of movements in exchange rates	7	(1)	1	(4)	3
Balance as at 31 December 2022	**523**	**25**	**114**	**6**	**668**

In millions of EUR, for the year ended 31 December 2021

	Land and buildings	Telecom. technology and related equipment	Boats	Other tangible assets and equipment	Total
Carrying amount					
Balance as at 1 January 2021	499	83	-	39	621
Additions resulting from business combinations	-	-	122	1	123
Additions	112	5	2	21	140
Disposals resulting from business combinations	(2)	-	-	(14)	(16)
Disposal	(12)	(1)	-	(1)	(14)
Depreciation charge (incl. discontinued operations)	(118)	(11)	(7)	(14)	(150)
Effects of movements in exchange rates	20	(2)	(2)	-	16
Balance as at 31 December 2021	**499**	**74**	**115**	**32**	**720**

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

Leases under IFRS 16	2022	2021
Interest on lease liabilities	24	26
Expenses relating to short-term leases	12	10
Expenses relating to lease of low-value assets	1	1
Variable lease payments	(1)	(1)
Income from sub-leasing ROU assets presented in other revenue	1	1

E.23.2. 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 9 million (2021: EUR 14 million) in lease liability.

Total cash outflow for leases amounted to EUR 172 million for the year ended 31 December 2022 (2021: EUR 164 million).

E.23.3. Operating leases where the Group acts as a lessor

The Group also leases out its investment properties. The table below shows the future minimum lease payments under non-cancellable operating leases. None of the leases included contingent rentals.

In millions of EUR

	31 December 2022	31 December 2021
Within 1 year	134	166
1-5 years	398	524
More than 5 years	173	282
Total receivables under non-cancellable operating leases	**705**	**972**

E.24. 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 2022

	Debt securities and subordinated liabilities	Liabilities due to banks and other financial institution	Lease liabilities	Total
Balance as at 1 January	**3,741**	**11,353**	**707**	**15,801**
Changes from financing cash flows:				
Proceeds from the issue of debt securities	1,195	-	-	1,195
Proceeds from liabilities due to banks and other financial institutions	-	4,389	-	4,389
Repayment of debt securities issued	(660)	-	-	(660)
Repayment of liabilities due to banks and other financial institutions	-	(8,239)	-	(8,239)
Repayment of principal portion of lease liabilities	-	-	(149)	(149)
Interest paid	(153)	(495)	(23)	(671)
Total changes from financing cash flows	**382**	**(4,345)**	**(172)**	**(4,135)**
Acquisition of subsidiaries and associates, net of cash acquired	-	-	5	5
Proceeds from disposal of subsidiaries and associates, net of cash disposed	(362)	(478)	(23)	(863)
Effects of movements in exchange rates	102	132	5	239
Transfer to liabilities directly associated with assets held for sale (refer to E.7)	-	(653)	(10)	(663)
New leases	-	-	123	123
Interest expense	173	532	25	730
Other non-cash changes	-	11	-	11
Balance as at 31 December	**4,036**	**6,552**	**660**	**11,248**

In millions of EUR, for the year ended 31 December 2021

	Debt securities and subordinated liabilities	Liabilities due to banks and other financial institution	Lease liabilities	Total
Balance as at 1 January	**5,024**	**11,036**	**634**	**16,694**
Changes from financing cash flows:				
Proceeds from the issue of debt securities	936	-	-	936
Proceeds from liabilities due to banks and other financial institutions	-	11,686	-	11,686
Repayment of debt securities issued	(2,328)	-	-	(2,328)
Repayment of liabilities due to banks and other financial institutions	-	(12,067)	-	(12,067)
Repayment of principal portion of lease liabilities	-	-	(142)	(142)
Interest paid	(209)	(667)	(22)	(898)
Total changes from financing cash flows	**(1,601)**	**(1,048)**	**(164)**	**(2,813)**
Acquisition of subsidiaries and associates, net of cash acquired		65	89	154
Proceeds from disposal of subsidiaries and associates, net of cash disposed		-	(14)	(14)
Effects of movements in exchange rates	124	633	17	774
New leases	-	-	117	117
Interest expense	194	667	28	889
Balance as at 31 December	**3,741**	**11,353**	**707**	**15,801**

E.25. Net interest income

Interest income comprises the following:

In millions of EUR, for the year ended 31 December

	2022	2021
Financial assets at FVTPL (E.2.1)*	37	8
Financial assets at FVOCI (E.2.3)	89	33
Financial assets at AC (E.2.2)	51	14
Due from banks and other financial institutions	388	70
Cash loan receivables	1,156	1,590
Consumer loan receivables	337	376
Revolving loan receivables	116	150
Mortgage loan receivables	13	-
Car loan receivables	29	24
Loans to corporations	117	75
Other	12	6
Total interest income*	**2,345**	**2,346**

*Total interest income represents interest income calculated using the effective interest method except for financial assets at FVTPL.

Interest expense comprises the following:

In millions of EUR, for the year ended 31 December

	2022	2021
Due to customers	318	62
Due to banks and other financial institutions	532	667
Debt securities issued	152	170
Lease liabilities	24	26
Subordinated liabilities	14	8
Significant financing component (IFRS 15)	7	7
Other	16	23
Total interest expenses	**1,063**	**963**
Net interest income	**1,282**	**1,383**

E.26. Net fee and commission income

Fee and commission income comprises the following:

In millions of EUR, for the year ended 31 December

	2022	2021
Insurance commissions	172	175
Penalty fees	29	21
Cash transactions	13	11
Customer payment processing and account maintenance	62	40
Commission income from partners	32	25
Retailers' commissions	1	3
Other	44	22
Total fee and commission income	**353**	**297**

Fee and commission expense comprises the following:

In millions of EUR, for the year ended 31 December

	2022	2021
Commissions to retailers	22	20
Cash transactions	16	12
Payment processing and account maintenance	28	45
Credit and other register expense	21	18
Other	40	24
Total fee and commission expense	**127**	**119**
Net fee and commission income	**226**	**178**

E.27. Net gain/loss on financial assets

In millions of EUR, for the year ended 31 December

	2022	2021
Net trading income/(expense)	32	73
Debt securities trading	(18)	28
FX trading	33	21
Derivatives	17	24
Changes in fair value hedge adjustments	(43)	(72)
Net gains/(losses) on financial assets/liabilities at FVTPL not held for trading	(47)	34
Other net losses on financial assets	(4)	(1)
Dividend income	3	18
Net realised gains/(losses)	(23)	2
Financial assets at FVOCI	(27)	3
Loans and receivables	1	(1)
Financial liabilities measured at amortised cost	3	-
Total net gain/(loss) on financial assets	**(82)**	**54**

E.28. Net impairment losses on financial assets

In millions of EUR, for the year ended 31 December

	2022	2021
Cash loan receivables	383	1,130
Consumer loan receivables	84	-
Revolving loan receivables	25	27
Car loan receivables	7	3
Loans to corporations	68	59
Trade and other receivables	27	23
Financial assets at FVOCI	36	(3)
Other financial assets*	35	(1)
Total net impairment losses on financial assets	**665**	**1,238**

*incl. impairment losses on undrawn credit limit

E.29. Net insurance income

The Group's non-life insurance business was disposed with the Russian discontinued operations in May 2022 (refer to B.2.1). The following table only shows net income from the Group’s life insurance business.

In millions of EUR, for the year ended 31 December

	2022	2021
Gross earned premiums	68	54
Net insurance benefits and claims	(48)	(36)
Acquisition cost	(14)	(12)
Net insurance income	**6**	**6**

E.30. Net rental and related income

In millions of EUR, for the year ended 31 December

	2022	2021
Gross rental income	192	139
Service income	18	12
Service charge income	36	32
Hotel revenues	15	-
Service charge expense	(22)	(16)
Net rental and related income	**239**	**167**

E.31. Net telecommunications income

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

Telecommunications income comprises the following:

In millions of EUR, for the year ended 31 December

	2022	2021
Mobile originated revenues	2,547	2,447
Fixed originated revenues	552	505
International transit revenues	192	207
Other wholesale revenues	196	162
Other sales	13	10
Revenues from telecommunications business	**3,500**	**3,331**
out of which:		
Services/products transferred over time	3,026	2,888
Services/products transferred at a point in time	474	443
Supplies	(612)	(619)
Cost of goods sold	(461)	(427)
Commissions	(42)	(37)
Costs related to telecommunications business	**(1,115)**	**(1,083)**
Net telecommunications income	**2,385**	**2,248**

E.31.2. 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

	2022	2021
Services/products transferred over time	3,026	2,888
Czech Republic	1,387	1,271
Hungary	445	440
Serbia and Montenegro	372	358
Bulgaria	332	323
Slovakia	268	262
Germany	33	30
Other	189	204
Services/products transferred at a point in time	474	443
Czech Republic	109	110
Hungary	100	95
Serbia and Montenegro*	104	93
Bulgaria	102	92
Slovakia	59	53
Total revenues from telecommunication business	**3,500**	**3,331**

*Telenor Montenegro was sold in December 2021, thus, 2022 figures do not include revenues from this entity, refer to B.2.8.

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

E.32. Net media income

E.32.1. Revenues from media business – major lines of business

Net media income comprises the following:

In millions of EUR, for the year ended 31 December

	2022	2021
TV advertising revenues	558	514
Carriage fees	137	119
Subscription fees	31	13
Other revenue	41	31
Revenues from media business	**767**	**677**
Programming assets amortisation	(339)	(272)
Salaries and staff related expenses	(23)	(18)
Royalties	(18)	(15)
External services and other operating costs	(25)	(19)
Costs related to media business	**(405)**	**(324)**
Net media income	**362**	**353**

E.32.2. 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, for the year ended 31 December

	2022	2021
Services/products transferred over time	767	677
Czech Republic	272	231
Romania	195	185
Slovakia	114	110
Bulgaria	80	76
Slovenia	78	75
Croatia (refer to B.2.5)	28	-

In 2022 and 2021, the Group did not realise any revenues from the media business from services or products transferred at a point in time.

E.33. Net mechanical engineering income

E.33.1. 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

	2022	2021
Sales of finished goods, services and goods for resale	775	614
Tramcars	131	99
Electric locomotives and suburb units	311	256
Trolleybuses	30	41
Metro	65	28
Electric equipment	12	6
Full service and repairs	141	107
Spare parts	14	16
Modernisation of rail vehicles	12	4
Other products and services	59	57
Revenues from mechanical engineering business	**775**	**614**
out of which:		
Services/products transferred over time	654	523
Services/products transferred at a point in time	121	91
Raw material	(370)	(287)
Purchased services related to projects	(66)	(48)
External workforce	(27)	(19)
Other	(23)	(22)
Costs related to mechanical engineering business	**(486)**	**(376)**
Net mechanical engineering income	**289**	**238**

E.33.2. 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

	2022	2021
Services/products transferred over time	654	523
Czech Republic	349	292
Finland	59	77
Slovakia	25	37
Latvia	74	25
Germany	48	31
Poland	73	37
Other	26	24
Services/products transferred at a point in time	121	91
Czech Republic	98	73
Slovakia	6	4
Germany	2	3
Other	15	11

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

E.34. Net toll operations income

In millions of EUR, for the year ended 31 December

	2022	2021
Sales of goods	-	5
Sales of services	24	34
Cost of sales	(8)	(17)
Total net toll operations income	**16**	**22**

E.35. Other income

In millions of EUR, for the year ended 31 December

	2022	2021
Net foreign currency gains	154	84
Income from other services provided	29	16
Rental income (other than from investment property rental activities)	15	5
Net agriculture income	-	5
Gain on a bargain purchase	-	5
Net gain on disposal of PPE and other intangible assets	186	-
Other	101	81
Total other income	**485**	**196**

E.36. Personnel expenses and other operating expenses

In millions of EUR, for the year ended 31 December

	2022	2021
Employee compensation	1,079	1,045
Payroll related taxes (including pension contribution)	180	183
Total personnel expenses	**1,259**	**1,228**
Rental, maintenance and repair expense	146	114
Information technologies	131	116
Professional services	185	182
Advertising and marketing	143	112
Telecommunications and postage	49	57
Taxes other than income tax	53	53
Collection agency fee	89	96
Payments to deposit insurance agencies	15	17
Travel expenses	18	11
Net impairment losses on other intangible assets	84	197
Net impairment losses on goodwill recognised	-	16
Net impairment losses on property, plant and equipment	16	3
Net impairment losses on other assets (including contract assets)	25	9
Amortisation of cost to obtain or fulfil a contract	60	53
Net loss on disposal of property, plant and equipment	-	1
Net loss on disposal of intangible assets	-	6
Other	239	184
Total other operating expenses	**1,253**	**1,227**

The average rounded number of employees during 2022 was 61,000 (2021: 78,000 employees); 76 employees were employed in the Netherlands (2021: 13 employees). Increase of employees in the Netherlands relate to the acquisition of hotel operations, refer to B.2.4.

E.37. Depreciation and amortisation

In millions of EUR, for the year ended 31 December

	2022	2021
Depreciation of property, plant and equipment	394	387
Depreciation of property, plant and equipment – ROU (IFRS 16)	155	146
Amortisation of intangible assets	422	442
Total depreciation and amortisation	**971**	**975**

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

	2022 Fair value of underlying assets	2022 Carrying amount of corresponding liabilities	2021 Fair value of underlying assets	2021 Carrying amount of corresponding liabilities
Financial assets at FVTPL	81	74	-	-
Financial assets at FVOCI	-	-	82	50
Financial assets at AC	26	27	-	-
Financial assets received in reverse repos	3,840	3,856	3,634	3,605
Total assets	**3,947**	**3,957**	**3,716**	**3,655**

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

	2022 Fair value of assets received as collateral (total)	2022 of which: Fair value of assets repledged or sold	2022 Carrying amount of receivables	2021 Fair value of assets received as collateral (total)	2021 of which: Fair value of assets repledged or sold	2021 Carrying amount of receivables
Cash and cash equivalents (with central banks)	6,924	3,742	7,022	5,944	3,634	6,034
Loans and advances to banks	-	-	-	474	-	448
Financial assets at FVTPL	179	98	104	427	-	435
Total loans and advances	**7,103**	**3,840**	**7,126**	**6,845**	**3,634**	**6,917**

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

	2022	2021
Current tax expense	(359)	(270)
Deferred tax benefit/(expense)	(503)	118
Total income tax expense	**(862)**	**(152)**

The following table reconciles the tax expense:

In millions of EUR, for the year ended 31 December

	2022	2021
Tax rate	25.8%	25.0%
Profit from continuing operations (before taxation)	1,057	311
Computed taxation using applicable tax rate	(273)	(78)
Tax non-deductible expenses	(231)	(175)
Non-taxable income	119	176
Non-taxable share of profit/(loss) of equity-accounted investees	231	(20)
Tax rate differences on foreign results	85	71
Utilised tax loss for which no deferred tax was previously recognised	3	52
Current-year losses for which no deferred tax asset is recognised	(208)	(89)
Items taxed at different tax rates, i.e., withholding tax	1	(8)
Release of deferred tax assets from tax losses carried forward	(453)	-
Non-taxable net losses on disposals/liquidations of subsidiaries and equity-accounted investees	(188)	-
Other	52	(81)
Total income tax expense	**(862)**	**(152)**

The Company is subject to corporate income tax in the Netherlands at an income tax rate of 25.8%. 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. 35% in India.

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. In 2022, this likelihood of utilisation of previous tax losses significantly decreased in China, and the Group released its previously recognised relating deferred tax assets of EUR 453 million accordingly. This release significantly contributed to the deferred tax expense in 2022.

E.39.2. Deferred tax

Deferred tax assets and liabilities comprise the following:

In millions of EUR, as at 31 December

	2022 Deferred tax liabilities	2022 Deferred tax assets	2021 Deferred tax liabilities	2021 Deferred tax assets
Investment securities	(1)	18	(1)	5
Loans	(7)	43	(2)	357
Trade and other receivables, contract assets	(130)	16	(94)	20
Inventories	-	133	-	83
Investment property	(122)	2	(194)	2
Property, plant and equipment	(320)	9	(327)	9
Programming assets	(2)	8	(1)	10
Intangible assets	(125)	24	(158)	39
Other assets	(2)	7	(26)	27
Debt securities issued	-	31	-	33
Financial liabilities at FVTPL	-	-	-	1
Lease liabilities	(13)	25	(17)	16
Contract liabilities	-	1	-	-
Trade and other payables	(2)	24	(4)	31
Provisions	(1)	28	(1)	26
Other temporary differences	(28)	20	(13)	37
Value of loss carry-forwards recognised	-	77	-	420
Value of tax credits	-	-	-	2
Deferred tax assets/(liabilities)	**(753)**	**466**	**(838)**	**1,118**
Net deferred tax assets/(liabilities)	**(513)**	**226**	**(602)**	**882**

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

In millions of EUR, for the year ended 31 December

	2022	2021
Net deferred tax assets as at 1 January	280	119
Deferred tax benefit/(expense) for the period	(503)	118
Deferred tax recognised directly in equity	-	1
Additions from business combinations	3	(1)
Disposals resulting from business combinations	(31)	1
Deferred tax assets transferred to assets held for sale	(36)	4
Effect of movements in exchange rates	-	38
Net deferred tax assets/(liabilities) as at 31 December	**(287)**	**280**

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 2022, the Group incurred tax losses from recent years of EUR 3,964 million (2021: EUR 3,554 million) available to be carried forward and off-set against future taxable income. As a rule, if it is considered likely that no taxable profits will be available against which the unused tax losses can be utilised, deferred tax assets are not recognised. Unrecognised deferred tax assets amount to EUR 824 million (2021: EUR 404 million). Unutilised tax losses can be claimed in the period from 2023 to 2027 in the Czech Republic, and for an indefinite time in Hong Kong, in the Russian Federation, and newly in the Netherlands (where before the change in legislation the tax losses could be utilised within the following 7 years). The expiration of the unutilised tax losses is as follows:

In millions of EUR

	31 December 2022	31 December 2021
2022	-	409
2023	28	78
2024	32	74
2025	383	510
2026	1,226	1,396
2027	713	82
2028	7	15
2029	162	176
2030	52	1
2031	6	4
2032	21	-
Tax losses that can be carried forward indefinitely	1,334	809
Total	**3,964**	**3,554**

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 at the reporting date if the counterparties failed completely 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 reimbursable to a Group company later and debt facilities and revolving underwriting facilities that allow customers to issue short or medium-term debt instruments without engaging in the normal underwriting process on each occasion. Revenue from 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

	31 December 2022	31 December 2021
Loan commitments	920	1,684
Revolving loan commitments	591	1,344
Consumer loan commitments	34	51
Cash loan commitments	25	78
Undrawn overdraft facilities	106	120
Term loan facilities	164	91
Capital expenditure commitments	299	199
Guarantees provided	627	64
Non-payment guarantees	33	22
Payment guarantees	580	31
Provided undrawn commitments to provide	14	11
Digital transmission obligations	27	13
Programming liabilities	153	135
Other	84	33
Total commitments and contingent liabilities	**2,110**	**2,128**

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.

The following table shows secured liabilities:

In millions of EUR

	31 December 2022	31 December 2021
Secured bank loans	4,039	6,325
Loans received under repos	3,957	3,655
Debt securities issued	18	11
Total secured liabilities	**8,014**	**9,991**

The assets pledged as security were as follows:

In millions of EUR

	31 December 2022	31 December 2021
Cash and cash equivalents	86	126
Financial assets FVTPL (repos)	81	-
Financial assets FVOCI (repos)	-	82
Investment securities at amortised cost	26	-
Loans and receivables due from customers	805	2,394
Trade and other receivables	45	3
Investment property (incl. assets held for sale)	1,590	2,341
Investment in equity-accounted investees	493	472
Property, plant and equipment	348	317
Financial assets in off-balance sheet (repo operations)	3,840	3,634
Other assets	37	219
Total assets pledged as security	**7,351**	**9,588**

As at 31 December 2022 and 31 December 2021, 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 CME Media

Enterprises B.V., Pro TV S.R.L., Markiza-Slovakia, spol. s r.o., CME Slovak Holdings B.V, Pro Plus d.o.o., Pop TV d.o.o. and RTL Hrvatska d.o.o. and the 94% of shares of CME Bulgaria B.V. held by CME Media Enterprises B.V.

As at 31 December 2022 and 31 December 2021, 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. On 31 March 2022 the High Court decided to repeal first instance judgment and returned the case back to the Municipal Court in Prague for further proceedings.

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. The expert has been appointed on 21 July 2021 with aim to finish his expert opinion within 9 months following his appointment.

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 CZ 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 CZ 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 CZ on the fix broadband market. O2 CZ 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 CZ. VOLNÝ proposed an expert who turned out to be biased, and thus O2 CZ filed a protest. Subsequently, the court appointed another expert and defined a set of questions. The revision expert opinion confirmed O2 CZ's statement. The expert opinion stated that no anti-competition practice had been proved against O2 CZ. It also pointed out that O2 CZ 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 CZ 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 CZ'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 CZ the full reimbursement of the costs of the proceedings. VOLNÝ filed an extraordinary appeal to the Supreme Court. In July 2022, the Supreme Court annulled the previous decisions for procedural reasons and returned the case for further proceedings. The Municipal Court in Prague continues the proceedings.

In January 2021, the Bulgarian Telecommunications Regulator TCRC started a tender for the distribution of the spectrum in 3600 MHz. On 8 April 2021, the spectrum was distributed with equal parts among three current operators whereas Yettel received 100 Mhz. Two decisions or procedural steps of CRC (however not against the actual decision on the assignment of frequencies from May 2021 which thus became effective and enforceable) were appealed to the Administrative Court Sofia Region by MAC (a group of small fixed operators). On 11 April 2022, the Administrative Court Sofia Region decided that CRC procedural approach for completion of the public consultations and adopting CRC's position on the spectrum allocation and the need for a tender procedure was incorrect. On 13 March 2023, the Supreme Administrative Court confirmed this decision by the court of first instance. Now the courts are to decide about the second appeal of MAC which was made against the decision of CRC on publication of the terms of the tender. This second litigation was suspended at the first instance level until now. There are several scenarios of the development of this situation. In the worst case scenario it cannot be excluded that CRC commences proceedings against Yettel, Vivacom and A1 for cancellation of their licenses for assigned 3.6 GHz spectrum and starts again the spectrum distribution procedure. In such case, if Yettel had not been successful in defending against such CRC approach, Yettel should be entitled to claim all damages which are direct result of the cancellation of its permission including the state fee for acquisition of the spectrum plus interest and lost investments.

Dispute with Mr Kocner and Mr Rusko related to CME Group represents a significant legal case from the Group's perspective.

In the fourth quarter of 2016, the 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. Markiza has never believed the notes were signed in June 2000 or that any of the notes were authentic and has vigorously defended the claims in civil proceedings and filed a criminal compliant with special prosecutor in Slovakia in May 2018. Special prosecutor has charged both Mr. Kocner and Mr. Rusko in June 2018 with counterfeiting, falsification and illegal production of securities and obstruction of justice. As a result of the criminal proceedings, in February 2020, both Mr. Kocner and Mr. Rusko were convicted and sentenced to 19 years in prison each. The civil proceedings (which were previously suspended until a final decision in the criminal proceedings was issued) regarding two of the promissory notes were already dismissed and Markiza expects to achieve dismissal of the remaining two cases of the other two promissory notes as well.

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 CZ 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 submitted its opinions and supporting documents to the Commission and cooperated with an international expert institute.

In August 2021, the Commission adopted a preliminary assessment under which it reduced its concerns and enabled formally the investigated parties to offer commitments. The parties did respond to the preliminary assessment and rejected the concerns while, after the deep discussion with the Commission, offered such commitments.

After several procedural steps performed by the Commission and the updates of the commitments as a follow-up to discussions with the Commission, on 11 July 2022, the Commission accepted the offered commitments and decided on the closure of the proceedings. No fine nor other additional remedy was decided upon by the Commission.

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 under letter (i) above are terminated without infringement being found and the proceedings under letter (ii) were ongoing, and Yettel Hungary was cooperating with the Hungarian Competition Authority to show no breach had occurred in relation to pending proceedings as well.

E.40.2.3. Taxation

The taxation systems in Russia, India, Kazakhstan, Vietnam, China and some other countries of operations are relatively new and are characterized by frequent changes in legislation which are subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during several subsequent calendar years. Recent events within the Russian Federation, India, Kazakhstan, Vietnam, China and some other countries of operations suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

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 Indian, Kazakh, Vietnamese, Chinese and other countries' tax legislation, official pronouncements and court decisions.

HC Consumer Finance Philippines, Inc., Air Bank a.s. and Home Credit India Finance Private Limited is 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

	31 December 2022	31 December 2021
Guarantees accepted	214	141
Loan commitments received	383	1,281
Programming assets	196	184
Value of assets received as collateral (including repos)	5,662	5,290
Other	1,476	978
Total contingent assets	**7,931**	**7,874**

Other off-balance sheet assets represent primarily bank guarantees issued by various banks for Škoda Group's projects.

As at 31 December 2021, other off-balance sheet assets represented also bank guarantees of EUR 176 million issued by local banks in Hungary for Yettel Hungary, requested by the local telecommunication regulator from participants in the upcoming spectrum auction. After auction in March 2022, all related guarantees were released.

E.41. 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 influence 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.41.1. 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 2022 and 2021, key management personnel were provided with benefits as follows:

In millions of EUR, for the year ended 31 December

	2022	2021
Board of directors of the Parent Company	0.4	0.4
Supervisory board of the Parent Company	0.2	0.2
Key executive officers	65	50

These benefits consist mainly of short-term fixed and variable salaries, incentive bonuses, contributions to pension and insurance plans granted by PPF Group. PPF Financial Holdings subgroup, as the regulated subgroup (refer to C.10.1), is subject to the specific regulation, where a certain part of the key management remuneration is deferred. As at 31 December 2022, this remuneration of EUR 4 million is accrued as long-term (2021: EUR 2 million).

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

	2022	2021
Interest income	7	6
Revenues from telecommunication business	8	8
Revenues from mechanical engineering business	1	2
Revenues from media business	-	1
Fee and commission income	5	-
Profit on disposals/liquidations of equity-accounted investees and subsidiaries (refer to B.3.5)	8	-
Other income	2	-
Total revenue	**31**	**17**
Interest expense	(3)	(1)
Costs related to telecommunication business	(8)	(8)
Costs related to mechanical engineering business	(3)	(4)
Costs related to media business	(1)	-
Net loss on financial assets	(20)	(11)
Other operating expenses	(13)	-
Total expenses	**(48)**	**(24)**

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

In millions of EUR

	31 December 2022	31 December 2021
Cash and cash equivalents	1	1
Investment securities and derivatives	22	14
Loans and receivables due from banks and other financial institutions	21	13
Loans due from customers (gross amounts)	114	113
Loans due from customers (loss allowances)	*(14)*	*(6)*
Trade and other receivables	4	1
Other assets	1	2
Total assets	**149**	**138**
Financial liabilities at FVTPL	(25)	(15)
Due to non-banks	(43)	(4)
Due to banks and other financial institutions	-	(18)
Trade and other payables	(20)	(6)
Contract liabilities	-	(1)
Total liabilities	**(88)**	**(44)**

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

	2022	2021
Interest income	15	13
Net gain on financial assets	-	3
Other income	-	1
Total revenue	**15**	**17**
Other operating expenses	(1)	(5)
Net loss on financial assets	(22)	-
Net impairment losses on financial assets	(1)	(4)
Total expenses	**(24)**	**(9)**

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

In millions of EUR

	31 December 2022	31 December 2021
Cash and cash equivalents	12	-
Investment securities	149	-
Loans due from customers (gross amounts)	303	226
Loans due from customers (loss allowances)	*(9)*	*(9)*
Trade and other receivables	-	2
Intangible assets	-	1
Total assets	**455**	**220**
Financial liabilities at FVTPL	(168)	-
Due to non-banks	(107)	(53)
Trade and other payables	-	(1)
Total liabilities	**(275)**	**(54)**

During 2022, the Group provided donations amounting to EUR 17 million (2021: EUR 15 million) to foundations classified as related parties.

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 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, an unconditional right of the Group to receive cash or other financial asset, 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 three 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.

The Group has elected, as an accounting policy choice under IFRS 9, to continue to apply the hedge accounting requirements of IAS 39. 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.

Retail

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.

During 2022, after the situation caused by the COVID-19 pandemic settled down in most of the world, ECL models used in the pre-COVID-19 period could be fully utilized again for all portfolios with few post calculation adjustments applied only in countries where high portion of customers were provided with payment holidays under the government moratoria. In such cases ECL estimation for this part of the portfolio could be based on internal 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 ECL models.

Non-retail – individual level

For individually significant financial assets, the parameters (PD, LGD and EAD) are – separately from those used for the collective basis – derived from statistical models created on the basis of available market data. Failure probability estimates are estimates at a certain date that are calculated on the basis of statistical rating models and assessed using the rating tools established for different categories of counterparties and exposures. Models created on the basis of available market data are periodically back-tested on internal historical data.

The migration of a counterparty or exposure between credit ratings results in a change in the estimate of the associated PD.

LGD is the amount of probable loss in the event of a default. For stage 1 and 2 exposures, the Group uses external comparative information to assess LGDs as it has insufficient observations and data to derive its own statistically significant LGDs based on an analysis of the Group's portfolio. For this reason, the Group bases its determination of LGD on the regulatory loss given default.

For stage 3 exposures, the Group uses the difference between the gross carrying amount of an asset and the present value of estimated future cash flow applying scenario probability weights to measure expected credit losses.

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.

Retail

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.

Each estimation of impact of macroeconomic forecast on provisioning (based on the latest data available from external sources) is also subject to an internal materiality threshold evaluation to avoid short-term fluctuation in provisioning volumes in cases where the impact of expected macroeconomic situation is considered not material. The materiality threshold is set up to be 2% of total provision for each respective Group Company and respective Reporting date.

Results are reviewed by the management and models are adjusted if, based on the management's opinion, the results do not fully capture the extent of recent credit or economic events.

The results are based on the latest macroeconomic forecast per country they operate in. The Group uses three scenarios with set weights for evaluation of the impact:

- base scenario – The development according to available macroeconomics forecasts.
- downside scenario – either based on worsening of the Base scenario, or based on percentile from historical development (depending on reliability of model results).
- upside scenario – either based on improving of the Base scenario, or based on percentile from historical development (depending on reliability of model results).

Scenario weights are set for each country in which the Group operates, and are set according to the latest expectations (the weight assigned to the base scenario is mostly 80%, the rest is being distributed among downside and upside scenarios) for each country based on the applicable facts and circumstances.

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 (upside and downside) - 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 Group 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 Upside and Downside 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.

As at 31 December 2021, there is no significant level of ECL sensitivity outlier as the impact of the Downside and Upside scenarios are relatively even. The scenario weighting reflects that tail scenarios are considered unlikely on the same (standardized) probability level therefore the Group's preferred solution was to use weighted scenario with standard weights 80/10/10.

As the COVID-19 impact is mostly gone and some volatility and persistent uncertainty of the future development is expected only for some part of contracts, management uses not only the latest available forecasts for individual markets to compute FLI impacts but applies also additional overlays to the extent of the latest ECL estimates on, e.g., portfolios where payment holidays were widely provided, which are usually the main potential internal source of volatility in resulting ECL estimate. Resulting management adjustments both on Group and local level are being applied to appropriately reflect the overall ECL.

Overall impact of macro adjustments is EUR 61 million (2021: EUR 100 million), out of which COVID-19 related FLI is EUR 27 million (2021: EUR 97 million) and other additional adjustment is EUR 34 million (2021: EUR 3 million).

Non-retail – individual level

For the non-retail loans the Group defines also three economic scenarios:

- the baseline economic scenario, which is the Group's main scenario and is assigned the highest weight. This scenario is defined internally according to publicly available estimates of trends in key macroeconomic variables by relevant institutions, such as Oxford Economics, the Czech National Group, the IMF, the OECD, and consensus analyst estimates published by Bloomberg and Reuters;
- optimistic economic scenario;
- pessimistic economic scenario.

The last two scenarios are less likely. The Group monitors the up-to-datedness of macroeconomic scenarios at least on a quarterly basis. The scenarios and their weights applicable as at 31 December 2022 are shown in the table below:

	Weight as at 31 December 2022	Weight as at 31 December 2021	2023	2024	2025
Czech Republic – GDP growth					
Baseline scenario	50%	50%	(0.7%)	2.5%	2.5%
Optimistic scenario	1%	10%	1.3%	4.5%	4.5%
Pessimistic scenario	49%	40%	(4.2%)	(2.3%)	(0.2%)
World – GDP growth					
Baseline scenario	50%	50%	1.7%	3.2%	3.5%
Optimistic scenario	1%	10%	2.7%	4.2%	4.5%
Pessimistic scenario	49%	40%	(1.3%)	1.2%	1.5%

The resulting estimated credit losses then reflect expected development of gross domestic product in the three scenarios above.

On the strength of data availability and resource credibility, the Group uses historical data analysis to estimate the relationships between macroeconomic variables and probabilities of default that are used to measure expected credit losses.

The Group considers the change in the GDP of the Czech Republic and the change in world GDP as key variables explaining the changes in the historical probability of default. For exposures of clients who account in accordance with Czech accounting standards and whose business risk lies in the Czech Republic, the Group uses change in GDP of the Czech Republic for PD estimates. For other client's exposures, the Group uses the change in the world GDP as an explanatory variable.

For risks that were not factored into the macroeconomic model, the Group recognised additional allowances ("management overlay"). The Group resorted to management overlay to individually significant loans at the end of third quarter of the year 2022 for the first time. In making management overlays, the Group relies on the regular quarterly stress testing of its loan portfolio, the management overlay amount being based on the expected additional loss on the loan portfolio under a slight stress scenario. Management overlays are remeasured on a quarterly basis.

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.

Retail

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.

The qualitative criteria utilized for assessment of EV may include, e.g., external data on clients ability to repay (insolvency/bankruptcy registers and similar locally available data sources), distressed restructuring/forbearance measures evidence, etc.

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.

Non-retail – individual level

For individually significant financial assets, the Group primarily identifies whether a significant increase in credit risk has occurred for an exposure by comparing:

- the credit risk as at the reporting date; with
- the credit risk that was estimated on initial recognition of the exposure.

As for the corporate loan portfolio, the Group considers there to have been a significant increase in credit risk since initial recognition if:

- the credit internal rating has deteriorated by two or more notches since initial recognition and the current credit rating is outside the range A1 to A4 (for the internal credit ratings see above)
- the receivable or part thereof is more than 30 days past due;

- the current credit rating has deteriorated by at least one notch since initial recognition and the client has been assigned a credit rating of C1;
- the exposure has been designated as a exposure with forbearance;
- the exposure in the regime of increased monitoring (so called „pre-workout“);
- and individual assessment has been performed by the Head of the Credit Risk Management Department, who, on the basis of available information, has determined that the receivable exhibits signs of an increased credit risk.

As for the debt securities and other assets, the Group considers there to have been a significant increase in credit risk since initial recognition if:

- the credit internal rating has deteriorated by two or more notches since initial recognition and the current credit rating is outside the range A1 to A4 (for the internal credit ratings see above)
- the receivable or part thereof is more than 30 days past due;
- the current credit rating has deteriorated by at least one notch since initial recognition and the client has been assigned a credit rating of C1;
- an individual assessment has been performed by the Head of the Credit Risk Management Department, who, on the basis of available information, has determined that the receivable exhibits signs of an increased credit risk.

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.

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 of disposal. 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. A contract is or contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- The contract involves the use of an identified asset. This may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.
- The Group has the right to obtain substantially all economic benefits from the use of the asset throughout the period of use.

- The Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
  - the Group has the right to operate the asset
  - the Group has designed the asset predetermining how and for what purpose it will be used.

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 comprising the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, 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 right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. 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”, i.e., on the same line item on which it presents underlying owned assets of the same nature.

The lease liability is initially measured at the present value of 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 increased by the interest cost on the lease liability and decreased by lease payments made. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or, as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease terms and significantly affects the amount of lease liabilities and the recognised right-of-use assets.

The Group presents lease liabilities in “Trade and other payables” in the consolidated statement of financial position. For details refer to E.17.

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 leases 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 outscoped the leased intangible assets from capitalisation, as allowed by IFRS 16. For all its businesses, the Group does not separate non-lease components and capitalises them as lease payments (except for the finance business for which the non-lease components (like cleaning and maintenance) are separated and not capitalised as lease payments).

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

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, however the values of the assumptions are modified if it is required by the current circumstances.

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/22 years
Licences	up to 20 years
Customer relationships	10-14 years
PVFP	5 years (non-life portfolio)
Other	up to 57 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 for unused tax losses, unused tax credits and deductible temporary differences 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 in the case 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

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or a financial liability are included in the measurement of the effective interest rate.

A contract with a customer that results in a recognised financial instrument in the Group's consolidated financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, the Group first applies IFRS 9 to separate the relevant part and measure that part of the contract that is in the scope of IFRS 9 in line with IFRS 9, and then applies IFRS 15 to the residual.

Other fees and commission income and expense relate mainly to transaction and service fees, which are recognised as the services are rendered or received.

The Group acts as an agent for insurance providers offering their insurance products to consumer loan borrowers (protection service). Commission income from this 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 an option to purchase the insurance service, but not obligation, while the interest rates for the borrowers are the same, no matter whether they used the option or not. The Group is not exposed to the insurance risk, which is entirely 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.

Commission income from insurance is recognised in profit of loss when the performance obligation is satisfied.

The Group recognises income over the time by measuring the progress towards the complete satisfaction of performance obligation, if one of the following criteria is met:

- the Group simultaneously receive and consumes the benefits provided by group performance as the Group performs;
- the customer controls the service provided by the Group in the course of performance or;
- the Group does not provide service with an alternative use to the Group, and the Group has an enforceable right to payment for performance obligation completed to date;
- in other cases, the Group recognises revenue at a point in time at which a customer obtains control on the provided services.

Penalty fee income is recognised on an accrual basis or on a cash basis. It depends on the collectability of the penalty. In the case the collectability of the penalty fee is approximately same as for other loan components (e.g., its principal), the Group books penalty on an accrual basis and recognises impairment loss allowance in the same way as for other components of the loan receivable. In the case the collectability of the penalty fee is worse than for other loan components (e.g., principal), the Group books the penalty fee income on a cash basis, i.e., when it is received on the Group's accounts eventually.

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 leisure business income

Net leisure income consists mainly of yacht chartering services and sale of boats.

Revenue from yacht chartering services includes charter income and agency fees. Revenue from charters is recognised at return date, whereas agency fees are recognised at departure date when the services are realised. These revenues are recognised on an over time basis, in the accounting year in which the services are rendered (by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided).

Most of the revenue is derived from fixed price contracts and therefore the amount of revenue to be earned from each contract is determined by reference to those fixed price.

Sale of boats revenue is recognised at a point in time when control of the goods has been transferred to the customer. This is generally when the goods are delivered to the customer.

Costs related to leisure business comprise direct costs relating to charter services, rental of boats, commissions to brokers and costs attributable to yacht sales.

F.1.34. 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.1.35. Personnel and other operating expenses

Personnel and other operating expenses generally include expenses relating to the running of the Group. These include personnel expenses, office rental expenses and other operating expenses. Staff costs include employees’ salaries and wages, management remuneration and bonuses, and social insurance.

Within banking operations, other operating expenses include the costs of processing payments, maintaining customer accounts and records, and dealing with customers.

F.1.36. Pensions and similar 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.1.37. Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographic area of the operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations;
- or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is restated as if the operation had been discontinued from the start of the comparative period.

F.2. Changes in accounting policies and accounting pronouncements adopted since 1 January 2022

F.2.1. Changes in accounting policies

Purchase commitment for NCI's share

The Group has granted a put option to a minority shareholder (NCI) of one of its fully consolidated subsidiaries. If the put option provides for a settlement in cash or in another financial asset, the Group recognises a liability for the present value of the exercise price of the option. Pending specific guidance from IFRS regarding this issue, the Group first assess whether such put option effectively means either that the minority shareholder has no longer its access to the returns associated with the underlying ownership interest or whether the minority shareholder's access to the returns is still present.

In the case the minority shareholder's access to returns no longer exists with the put option granted, the "anticipated-acquisition method" is applied, under which:

- purchase commitment liability is recognised and subsequently measured at net present value with the net present value changes recognised directly in equity, presented in the reserve for puttable instruments
- non-controlling interest is derecognised when the put option is granted
- any difference between the initial recognition value of the purchase commitment liability and the carrying amount of the non-controlling interest at derecognition is recognised directly in equity in the reserve for puttable instruments
- subsequently, non-controlling interest's share on profit or loss and other comprehensive income is no longer recognised as under this method the put option is accounted for as if had been exercised already
- when the put option expires unexercised, the non-controlling interest is recognised at its proportionate share on net assets of the investee and the purchase commitment liability is derecognised at its net present value
- any difference between the carrying amount of non-controlling interest newly recognised and the net present value of the purchase commitment liability at derecognition is recognised in equity in the reserve for puttable instruments. The accumulated reserve for puttable instruments is subsequently reclassified directly to retained earnings with no impact on profit or loss.

In the case the minority shareholder's access to returns is still present with the put option granted, the "present-access method" is applied, under which:

- purchase commitment liability is recognised and subsequently measured at net present value with the net present value changes recognised directly in equity, presented in the reserve for puttable instruments
- with the recognition of the above purchase commitment liability, any losses or gains are recognised directly in equity in the reserve for puttable instruments at initial recognition value of the purchase commitment liability
- non-controlling interest continues to be recognised when the put option is granted
- subsequently, non-controlling interest's share on profit or loss and other comprehensive income is recognised in a standard way as if no put option was granted
- when the put option expires unexercised, the purchase commitment liability is derecognised at its net present value as well as the accumulated reserve for puttable instruments. No

difference between the derecognition value of the liability and the accumulated reserve for puttable instruments shall arise.

F.2.2. New effective requirements

Amendments to IAS 37: Onerous contracts – Cost of fulfilling a contract (effective from 1 January 2022)

The amendments bring clarification on what costs an entity considers in assessing whether a contract is onerous. The amendments specify that the "cost of fulfilling" a contract comprises the "costs that relate directly to the contract". Costs that related directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that related directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.). The amendments are effective from 1 January 2022 and the entity applies them to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated.

The Group assessed that the above amendments to IAS 37 impacted contracts in its joint-venture where the Group's share on the impact of the initial application of this clarification totals EUR 173 million (refer to condensed consolidated interim statement of changes in equity and E.8).

Amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021 (issued on 31 March 2021) (effective from 1 April 2021)

The amendment provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. When there is a change in lease payments, the accounting consequences will depend on whether that change meets the definition of a lease modification, which IFRS 16 Leases defines as "a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease (for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term)".

Since lessors continue to grant COVID-19-related rent concessions to lessees and since the effects of the COVID-19 pandemic are ongoing and significant, the IASB decided to permit a lessee to apply the practical expedient regarding COVID-19-related rent concessions to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022 (rather than only payments originally due on or before 30 June 2021).

The amendment had no impact on the Group's condensed consolidated financial statements.

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

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

These amendments were endorsed by the EU and had no impact on the interim condensed consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

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 had no impact on these Group's condensed consolidated interim financial statements but might impact the future accounting for business combinations, should the Group enter any such transactions in future.

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 had no material impact on the Group's condensed 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 2022 and have not been applied in the preparation of these 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.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (effective from 1 January 2023)

Applying the amendments, an entity discloses its material accounting policies, instead of its significant accounting policies. The amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial.

These amendments have been adopted by the EU and the Group does not expect any material 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 (effective from 1 January 2023)

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

These amendments have been adopted by the EU and the Group does not expect any material impact on its consolidated financial statements resulting from the application of these amendments.

Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective from 1 January 2023)

The amendments require entities to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The typical areas impacted are deductible temporary differences associated with right-of-use assets and lease liabilities, and decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related assets.

These amendments have been adopted by the EU and the Group does not expect any material impact on its consolidated financial statements resulting from the application of these amendments.

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 been adopted by the EU and is effective for the annual reporting periods beginning on or after 1 January 2023. The Group does not expect this standard to have significant impact on the consolidated financial statements.

Initial application of IFRS 17 and IFRS 9 – Comparative information (effective from 1 January 2023)

The amendment is a transition option relating to comparative information about financial assets presented on initial application of IFRS 17. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of financial statements.

This amendment has been adopted by the EU and the Group does not expect it to have significant impact on the consolidated financial statements.

Amendments to IAS 1 Presentation of Financial Statement: Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants (expected effectiveness from 1 January 2024)

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 to IAS 1 have not yet been adopted by the EU. The Group is assessing the potential impact on its consolidated financial statements.

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (effective from 1 January 2024)

Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognising in statement of profit or loss any gain or loss relating to the partial or full termination of a lease.

These amendments have not been adopted by the EU yet. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of these IFRS 16 amendments.

G. Subsequent events

G.1. Sale of real estate projects in Russia

During first months of 2023, the Group sold its 100% stake in Trilogy Park Holding B.V. and Investitsioniy Trust CJSC (a logistics park, warehouses near Moscow) for a negligible consideration (in thousands of EUR), implying a loss of approx. EUR 13 million. Additionally, the Group sold its 100% stake in Oil Investments LLC with Stockmann StP Centre LLC (a shopping mall in Saint Petersburg) for a consideration of EUR 11 million, implying a loss of approx. EUR 15 million.

G.2. Catamaran producer acquisition

In January 2023, the Group signed an agreement to acquire Robertson & Caine (R&C), a South African producer of Leopard catamarans, from its founder and current shareholder. Leopard is known notably in the US markets. This acquisition is aimed to complement the Group's current global activities in the production and rental of recreational vessels and the provision of related services. The closing of the transaction is expected during the second quarter of 2023 and is subject to approval by the South African regulatory authorities.

G.3. Nej.cz internet service provider acquisition

In April 2023, the Group entered into an agreement to acquire Nej.cz, a Czech internet service provider. Nej.cz's infrastructure passes through nearly half a million households, mostly with optical fibre, and connects almost a quarter of a million of active subscribers. This acquisition will complement the Group's own infrastructure and customers base with 4.2 million passed and more than a million connected households. The closing of the transaction is expected during the second half of 2023 and is subject to approval of the Czech Office for the Protection of Competition.

No other significant events occurred after the reporting period except for those described in this section in the above paragraphs, and those described in Section B.

PPF GROUP N.V.

Company financial statements for the year ended
31 December 2022

Table of contents

Company statement of financial position

Presented before appropriation of result:

In millions of EUR

	Note	31 December 2022	31 December 2021
FIXED ASSETS			
Financial fixed assets	A1	7,551	7,193
Total fixed assets		**7,551**	**7,193**
CURRENT ASSETS			
Trade receivables and other assets	A2	247	957
Cash and cash equivalents	A3	747	496
Total current assets		**994**	**1,453**
TOTAL ASSETS		**8,545**	**8,646**
SHAREHOLDER´S EQUITY			
Issued share capital		1	1
Share premium		677	677
Legal and statutory reserves		(111)	(44)
Revaluation reserve		230	577
Other reserves		7,410	7,082
Unappropriated result		218	239
Total equity	A4	**8,425**	**8,532**
NON-CURRENT LIABILITIES		**2**	**6**
CURRENT LIABILITIES	A5	**118**	**108**
TOTAL EQUITY AND LIABILITIES		**8,545**	**8,646**

The notes on pages 220 to 231 are an integral part of these company financial statements.

Company statement of income

Presented in condensed version applying art. 2:402 BW of the Dutch Civil Code, before appropriation of profit:

For the year ended 31 December

In millions of EUR

	2022	2021
Result of group companies after taxation	476	257
Other results after taxation	(258)	(18)
NET RESULT FOR THE PERIOD	**218**	**239**

The notes on pages 220 to 231 are an integral part of these company financial statements.

GENERAL INFORMATION

These company financial statements of PPF Group N.V. (the "Company") should be read in conjunction with the consolidated financial 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 for preparation

These company financial statements have been prepared in accordance with Title 9, Book 2 of the Dutch Civil Code. For setting the principles for the recognition and measurement of assets and liabilities and determination of results for its company financial statements, the Company makes use of the option provided in section 2:362(8) of the Dutch Civil Code (DCC). This means that the principles for the recognition and measurement of assets and liabilities and determination of the result (hereinafter referred to as principles for recognition and measurement) of the company financial statements of the Company are the same as those applied for the consolidated IFRS-EU financial statements. These principles also include the classification and presentation of financial instruments, being equity instruments or financial liabilities. In the case no other principles are mentioned, refer to the accounting principles as described in the consolidated financial statements. For an appropriate interpretation of these statutory financial statements, these company financial statements should be read in conjunction with the consolidated financial statements.

Participating interests in group companies

Group companies are all entities in which the Company has directly or indirectly control. The Company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the group company and has the ability to affect those returns through its power over the group company. Group companies are recognised from the date on which control is obtained by the Company and derecognised from the date that control by the Company over the group company ceases. Participating interests in group companies are accounted for in the separate financial statements according to the equity method, with the principles for the recognition and measurement of assets and liabilities and determination of results as set out in the notes to the consolidated financial statements.

Participating interests with a negative net asset value are valued at nil. This measurement also covers any receivables provided to the participating interests that are, in substance, an extension of the net investment. This relates to loans for which settlement is neither planned nor likely to occur in the foreseeable future. A share in the profits of the participating interest in subsequent years will only be recognised if and to the extent that the cumulative unrecognised share of loss has been absorbed. If the Company fully or partially guarantees the debts of the relevant participating interest, or if has the constructive obligation to enable the participating interest to pay its debts (for its share therein), then a provision is recognised accordingly to the amount of the estimated payments by the Company on behalf of the participating interest.

Share of result from participating interests

The share in the result of 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.

The Company's board of directors authorised these company financial statements for issue on 17 May 2023.

Currency

All amounts are stated in euros (EUR) and rounded to the nearest million, unless stated otherwise.

Going concern

These company financial statements have been prepared on the basis of the going concern assumption as described in section A.3 of the notes to the consolidated financial statements for the year ended 31 December 2022.

Corporate income tax

The Company is the head of the fiscal unity. The Company recognises the portion of corporate income tax that it would owe as an independent tax payer, taking into account the allocation of the advantages of the fiscal unity. The standard conditions stipulate that each of the companies is liable for the tax payable by all companies belonging to the fiscal unity.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

A.1 Financial fixed assets

In millions of EUR

	31 December 2022	31 December 2021
Participating interests in group companies	7,415	7,051
Other securities	136	142
Total financial fixed assets	**7,551**	**7,193**

Movements in financial fixed assets were as follows:

In millions of EUR, for the year ended 31 December 2022

2022	Participating interests in group companies	Other securities	**Total**
Balance as at 1 January 2022:			
Cost of acquisition	6,228	144	6,372
Accumulated revaluations	823	(2)	821
Carrying amount	**7,051**	**142**	**7,193**
Changes during the financial year:			
Investments into participating interests	1,892	-	1,892
Divestments of participating interests	(736)	-	(736)
Share in result of participating interests	476	-	476
Dividends received from participating interests	(1,061)	-	(1,061)
Interest income	-	4	4
Interest received	-	(5)	(5)
Other movements in shareholder's equity	(207)	(5)	(212)
Total changes	**364**	**(6)**	**358**
Balance as at 31 December 2022			
Cost of acquisition	7,384	143	7,527
Accumulated revaluations	31	(7)	24
Carrying amount	**7,415**	**136**	**7,551**

In millions of EUR, for the year ended 31 December 2021

2021	Participating interests in group companies	Other securities	**Total**
Balance as at 1 January 2021:			
Cost of acquisition	5,766	91	5,857
Accumulated revaluations	605	(2)	603
Carrying amount	**6,371**	**89**	**6,460**
Changes during the financial year:			
Investments into participating interests	1,708	157	1,865
Divestments of participating interests	(1,246)	(104)	(1,350)
Share in result of participating interests	257	-	257
Dividends received from participating interests	(418)	-	(418)
Other movements in shareholder's equity	379	-	379
Total changes	**680**	**53**	**733**
Balance as at 31 December 2021			
Cost of acquisition	6,228	144	6,372
Accumulated revaluations	823	(2)	821
Carrying amount	**7,051**	**142**	**7,193**

A.2 Trade receivables and other assets

The trade receivables and other assets comprise the following:

In millions of EUR

	31 December 2022	31 December 2021
Loans due from group companies	125	557
Loans due from related parties	54	-
Loans due from third parties	-	251
Trade receivables	24	-
Other assets	44	149
Total trade receivables and other assets	**247**	**957**

Loans provided (to group companies, related parties and third parties in this section) and presented in the above table are in Stage 1 except for one loan to a third party with its gross amount (incl. accrued interest) of EUR 128 million (2021: EUR 118 million) in Stage 3, as the counterparty has been in default with this loan. The Company has thoroughly assessed the recoverability of the loan considering all currently known information, the change in the legal counterparty before the end of 2022, the quality of the personal guarantee collateralising the loan, steps the Company has already made in the effort to collect the loan, and has considered various scenarios, their probabilities and related financial outcomes weighted by the probabilities. As a result of this thorough assessment, an expected credit loss allowance totalling EUR 128 million was recognised in 2022 (2021: EUR 59 million), as it reflects the gradual development of the probability-weighted scenarios for the actions taken by the Company. The Company continues to closely monitor this loan. The loan is presented under loans due from third parties.

As at 31 December 2022, loans provided of EUR 179 million include a non-current part of EUR 10 million. As at 31 December 2021, loans provided of EUR 808 million included a non-current part of EUR 342 million.

As at 31 December 2022, other assets comprised an uncollected funds distribution receivable of EUR 40 million from one of the Company's subsidiaries (2021: EUR 146 million).

A.3 Cash and cash equivalents

As at 31 December 2022, cash and cash equivalents represented by balances on bank accounts and short-term deposits totalled EUR 747 million (2021: EUR 496 million). The availability of cash and cash equivalents bears no restrictions.

A.4 Shareholders equity (Capital and reserves)

Reconciliation of movements in capital and reserves

The following tables show the roll-forward of shareholders' equity:

In millions of EUR

	Issued share capital	Share premium	Legal and statutory reserves	Revaluation reserve	Other reserves	Unappropriated result	Total
Balance as at 1 January 2022	**1**	**677**	**(44)**	**577**	**7,082**	**239**	**8,532**
Adjustment on initial application of IAS 37 amendment to onerous contracts	-	-	-	-	(173)	-	(173)
Changes in financial year 2022:							
Net result	-	-	-	-	-	218	218
Currency translation differences	-	-	243	-	-	-	243
FVOCI revaluation gains/(losses) taken to equity	-	-	(323)	-	-	-	(323)
FVOCI revaluation (gains)/losses transferred to statement of income	-	-	28	-	-	-	28
FVOCI revaluation (gains)/losses transferred directly to retained earnings	-	-	16	-	(16)	-	-
Effect of hedge accounting	-	-	2	-	-	-	2
Net change in fair value of CF hedges transferred to statement of income	-	-	9	-	-	-	9
Effect of movement in equity of equity-accounted investees*	-	-	(426)	-	-	-	(426)
Disposal and deconsolidation of subsidiaries**	-	-	551	-	-	-	551
Origination and subsequent remeasurement of conditional commitment to non-controlling interests	-	-	-	-	(850)	-	(850)
Transfer from Unappropriated result	-	-	-	-	239	(239)	-
Net allocation to/(from) legal and statutory reserves	-	-	8	-	(8)	-	-
Allocation of revaluation of Investment property	-	-	-	(22)	22	-	-
Investment property sold	-	-	-	(325)	325	-	-
Acquisition and sale of share (from)/to non-controlling interests	-	-	-	-	916	-	916
Dividends paid				-	(119)	-	(119)
Disposal of AT1 subordinated bond (loss of control of a subsidiary)	-	-	(181)	-		-	(181)
Other	-	-	6	-	(8)	-	(2)
Balance as at 31 December 2022	**1**	**677**	**(111)**	**230**	**7,410**	**218**	**8,425**

*mainly relates to changes in translation reserve and hedge reserve, for more information refer to consolidated statement of changes in equity
**relates to the accumulated translation reserve

In millions of EUR

	Issued share capital	Share premium	Legal and statutory reserves	Revaluation reserve	Other reserves	Unappropriated results	Total
Balance as at 1 January 2021	**1**	**677**	**(553)**	**562**	**7,477**	**(249)**	**7,915**
Changes in financial year 2021:							
Net result	-	-	-	-	-	239	239
Currency translation differences	-	-	402	-	-	-	402
FVOCI revaluation gains/(losses) taken to equity	-	-	(110)	-	-	-	(110)
FVOCI revaluation (gains)/losses transferred to statement of income	-	-	(2)	-	-	-	(2)
FVOCI revaluation (gains)/losses transferred directly to retained earnings	-	-	(22)	-	22	-	-
Effect of hedge accounting	-	-	37	-	-	-	37
Net change in fair value of CF hedges transferred to statement of income	-	-	(2)	-	-	-	(2)
Effect of movement in equity of equity-accounted investees	-	-	268	-	-	-	268
Disposal and deconsolidation of subsidiaries	-	-	2	-	-	-	2
Tax on items taken directly to or transferred from equity	-	-	1	-	-	-	1
Transfer from Unappropriated result	-	-	-	-	(249)	249	-
Net allocation to/(from) legal and statutory reserves	-	-	(54)	-	54	-	-
Allocation of revaluation of Investment property	-	-	-	31	(31)	-	-
Investment property sold	-	-	-	(16)	16	-	-
Acquisition and sale of share (from)/to non-controlling interests	-	-	-	-	(184)	-	(184)
Other	-	-	(11)	-	(23)	-	(34)
Balance as at 31 December 2021	**1**	**677**	**(44)**	**577**	**7,082**	**239**	**8,532**

Dividends

In 2022, PPF Group N.V. distributed EUR 119 million as dividend to its shareholders (2021: nil).

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:

	31 December 2022	31 December 2021
Number of shares authorised	2,500,000	250,000
Number of shares issued and fully paid	624,010	62,401
Par value per share	EUR 1	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 2022, the Company diluted the par value per share in 10 to 1 ratio.

Share premium representing the excess received by the Company over the par value of its shares. As at 31 December 2022, share premium amounted to EUR 677 million (2021: EUR 677 million).

Company equity and related reserves

The total amount of equity in the company financial statements equals equity "attributable to the owners of the Parent" in the consolidated financial statements. Certain components within equity are different, as a result of the following presentation differences between the Company accounts and consolidated accounts:

Legal and statutory reserves

Legal and statutory reserves comprise non-distributable retained earnings reserves of group companies, foreign currency translation on consolidated group companies presented as translation reserve in the consolidated accounts, revaluation of debt and equity securities measured at fair value through other comprehensive income presented as revaluation reserve in the consolidated accounts, and hedging reserve from consolidated group companies presented as hedging reserve in the consolidated accounts.

Revaluation reserve

Revaluations on investment property recognised in income and consequently presented in retained earnings in the consolidated accounts, is presented in the other reserves in the Company accounts.

Other reserves

Other reserves represent retained earnings, including a part related to PPF Financial Holdings a.s., 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.

There was appropriation of profit of 2021. Appropriation of profit of 2022 is still a subject to proposal by shareholders by the day of issue of these company financial statements.

Reconciliation of shareholders' equity and net result per the consolidated financial statements with shareholders' equity and net result per the company financial statements:

In millions of EUR

	31 December 2022	31 December 2021
Individual balance of equity	8,425	8,532
Non-controlling interests:		
BLUE SEA HOLDING Srl	16	19
Cetin Group N.V.	283	-
CME Media Enterprises B.V. *(formerly TV Bidco B.V.)*	(5)	(5)
Home Credit Group B.V.	52	144
Home Credit Indonesia PT.	10	10
O2 Czech Republic a.s.	-	56
PPF banka a.s.	52	48
PPF Biotech B.V.	3	2
Škoda a.s. *(formerly Škoda B.V.)*	80	60
TMT Hungary B.V.	124	132
TMT Hungary Infra B.V.	73	72
Velthemia Ltd.	29	54
Other (mainly real estate projects)	5	4
Total consolidated equity	**9,147**	**9,128**

In millions of EUR, for the period ended 31 December

	2022	2021
Group's net result attributable to owners of the Parent	218	239
Net profit/(loss) attributable to non-controlling interests:		
BLUE SEA HOLDING Srl	(6)	-
Cetin Group N.V.	52	-
Home Credit Bank JSC	4	-
Home Credit Group B.V.	(143)	(27)
Home Credit Indonesia PT.	1	1
O2 Czech Republic a.s.	3	25
PPF Biotech B.V.	(4)	-
PPF banka, a.s.	8	5
Škoda a.s. *(formerly Škoda B.V.)*	19	4
TMT Hungary B.V.	3	10
TMT Hungary Infra B.V.	12	14
Velthemia Ltd.	(26)	9
Other (mainly real estate projects)	(1)	(6)
Group's net result	**140**	**274**

A.5 Current liabilities

The category comprises the following:

In millions of EUR

	31 December 2022	31 December 2021
Loans from group companies	102	103
Other	16	5
Total current liabilities	**118**	**108**

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 as referred to in Section 2:382a (1) and (2) of the Dutch Civil Code:

In thousands of EUR, for the year ended 31 December

	2022 KPMG Netherlands	2021 KPMG Netherlands	2022 Other KPMG	2021 Other KPMG
Audit of financial statements	4,402	2,644	5,070	3,719
Other audit engagements	973	919	1,003	594
Tax advisory	-	-	268	437
Other non-audit services	49	526	225	516
Total expenses	**5,424**	**4,089**	**6,566**	**5,266**

The fees for audit and the related services are recognised in the period in which the services are performed.

A.7 Off-balance sheet items

As at 31 December 2022, the value of off-balance sheet assets represents EUR 550 million (2021: nil).

As at 31 December 2022, the value of off-balance sheet liabilities represents EUR 831 million (2021: EUR 265 million).

In 2022, the Company issued a guarantee to its subsidiary's joint-venture investment to cover the investment's possible future needs for liquidity in a maximum amount of EUR 550 million, and expiration by 31 December 2023. This guarantee represents the Company's off-balance sheet liability. The Company also accepted a mirroring guarantee from the subsidiary's joint-venture investment partner to compensate the above possible future liquidity needs. This guarantee amounts to EUR 550 million, expires by 15 March 2024, and represents the Company's off-balance sheet asset.

The Company pledged certain assets as collateral for the funding liabilities of its subsidiaries. As at 31 December 2022 and 31 December 2021, pledged assets in particular include shares in PPF TMT Holdco 1 B.V., PPF Finco B.V. and Tanemo a.s.

A.8 Financial instruments

The Group is exposed to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- insurance risk

Information 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, is included in notes to the consolidated financial statements.

These risks, objectives, policies and processes for measuring and managing risk, and the management of capital also apply to the company financial statements of the Company.

Fair value

Fair values of the financial instruments stated on the balance sheet, including accounts receivable, securities, cash and cash equivalents, and current and non-current liabilities, are close to their carrying amounts. For details on fair value principles, refer to Note C.7 of the consolidated financial statements.

A.9 Share in results from participating interests

For the year ended 31 December 2022, a loss of EUR 415 million represents a loss of group companies excluding a profit of EUR 891 million incurred by associates and joint-ventures within PPF Group N.V. group. For the year ended 31 December 2021, a profit of EUR 325 million represents a profit of group companies excluding a loss of EUR 68 million incurred by associates and joint-ventures within PPF Group N.V. group.

A.10 Related parties

For details of the related party transactions of the Company, refer to Note E.41 of the consolidated financial statements.

A.11 Number of employees

The average number of employees employed directly by the Company during 2022 was 10 (2021: 10 employees), refer to Note E.36 of the consolidated financial statements.

A.12 Transactions with key management personnel

For details of transactions with key management personnel, refer to Note E.41.4 of the consolidated financial statements.

A.13 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 2022.

17 May 2023

Board of directors:	Supervisory board:
Aleš Minx *Chairman of the board of directors*	Kamil Ziegler *Chairman of the supervisory board*
Rudolf Bosveld *Member of the board of directors*	Zuzana Prokopcová *Member of the supervisory board*
Jan Cornelis Jansen *Member of the board of directors*	Lubomír Král *Member of the supervisory board*

OTHER INFORMATION

Contents:

Provisions in the Articles of Association governing the 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, and in other Eastern European countries. For details in this respect, please refer to Section B.1 of the consolidated statements.

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 2022 of PPF Group N.V. (the 'Company' or the 'Group'), based in Amsterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of PPF Group N.V. as at 31 December 2022 and of its result and its cash flows for the year 2022 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.

The financial statements comprise:

1 the consolidated and company statement of financial position as at 31 December 2022;

2 the following consolidated and company statements for the year 2022: 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.

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 consolidated 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 designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The information in respect of fraud and non-compliance with laws and regulations and going concern was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information in support of our opinion

Audit response to the risk of fraud and non-compliance with laws and regulations

As part of our audit, we have gained insights into the Group and its business environment, and assessed the design and implementation of the Group's risk management in relation to fraud and non-compliance. Our procedures included, among other things, assessing the Group's code of conduct, whistleblowing procedures, incidents register and its procedures to investigate indications of possible fraud and non-compliance. Furthermore, we performed relevant inquiries with management, those charged with governance and other relevant functions, such as Internal Audit, Legal Counsel and Compliance. As part of our audit procedures, where considered appropriate, we:

- obtained an understanding of how the Group uses information technology (IT) and the impact of IT on the financial statements;
- assessed other positions held by management board members and/or other employees and paid special attention to procedures and governance/compliance in view of possible conflicts of interest;
- evaluated investigation reports on indications of possible fraud and non-compliance; and
- evaluated correspondence with supervisory authorities and regulators as well as legal confirmation letters.

In addition, we performed procedures to obtain an understanding of the legal and regulatory frameworks that are applicable to the Group and identified the following areas as those most likely to have a material effect on the financial statements:

- Sanctions law;
- Anti-money laundering and terrorist financing law;
- Data protection law;
- Consumer financing law; and
- Competition law;

We, together with our forensics specialists, evaluated the fraud and non-compliance risk factors to consider whether those factors indicate a risk of material misstatement in the financial statements.

In accordance with the information presented above and the applicable auditing standards, we have identified fraud and non-compliance risks that are pertinent to our audit. Among these risks, we have listed below the most relevant for 2022 audit, together with the appropriate planned audit responses as delineated below:

— *Management override of controls (a presumed risk):*

Risk: Management is in a unique position to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Responses:

- We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness of internal controls that mitigate fraud and non-compliance risks, such as processes related to journal entries, estimates linked to an identified significant risks and significant unusual transactions.
- We performed a data analysis of high-risk journal entries and evaluated key estimates and judgments for bias by the Group's management. Where we identified instances of unexpected journal entries or other risks through our data analytics, we performed additional audit procedures to address each identified risk, including testing of transactions back to source information.
- We incorporated elements of unpredictability in our audit, for example scoping in entities which have never been part of group scope in previous audits and introducing operational expenses testing at Company level.

— *Revenue recognition (presumed risk):*

Risk: In accordance with Dutch Standards on Auditing 240 there is a presumed fraud risk related to revenue recognition. It is presumed that there is generally pressure on and/or incentives for management to commit fraudulent financial reporting through inappropriate revenue recognition.

We identified a fraud risk in revenue recognition (interest income and fee income) as certain Asian countries where Home Credit operates, have a high score on the Corruption Perceptions Index and these Home Credit entities have high staff turnover and revenues are generated in decentralized, local points of sales.

We also identified a fraud risk in revenue recognition for Škoda Transportation a.s. as revenues are generated via long-term projects and the percentage of completion method applied by management is subject to judgment. Manipulation in sales and/or expected cost to complete projects may result in fraudulently recognized revenues.

Responses:

- We evaluated the appropriateness of relevant design and implementation of anti-fraud controls over revenue.
- We performed substantive test of details procedures over manual journal entries to revenue, including assessing the appropriateness of the applied revenue recognition method.

— *Expected credit losses ('ECL') provisioning on retail loan receivables estimated using centralized models:*

Risk: The expected credit loss provision for the following loan types are calculated using a centralized model (Markov model): cash loans, POS (Point Of Sales consumer) loans, car loans and revolving loans.

Taking into consideration the recent market economic conditions, we identified a fraud risk as management is in a unique position to override the model outcomes by applying a management overlay/ top-side adjustment as a response to greater uncertainties to estimate ECLs.

Responses:

- We evaluated the design and implementation of internal controls related to the ECL process for loans and advances to customers (cash loans, POS loans, car loans and revolving loans). This included controls related to the assumptions (including PD, LGD, EAD and macroeconomic forecasts), review of model outputs, the application of the definition of default and management overlays to the modelled ECL.
- We inspected the calculations of locally determined management overlays to the modelled ECL due to the increased uncertainty in the macroeconomic outlook in the global economy. These management overlays included economic segment based adjustments in the respective countries.
- We performed back testing of certain models to evaluate current model performance. We considered the impact these overlays have on model calculations and results when reaching conclusions.

— *Compliance with laws and regulations:*

Risk: Considering the impact in the Russia/Ukraine crises, and its impact across the world, multiple sanctions were issued against Russia (directly and indirectly) by different countries (e.g. European Union, U.K., U.S), resulting in a possibility that the individual companies within the Group become non-compliant with laws and regulations.

Responses:

- We inquired management and those charged with governance.
- We assessed the nature of the event/impact, timing, and extent of our audit procedures in response to this area as outlined above.
- We performed procedures such as inquires, minutes and regulatory bodies communications' inspections to determine that the Group is in compliance with the applicable European Union/U.S./U.K. sanctions.
- We evaluated the specific external legal assessment of the 2022 transactions supporting compliance with all applicable sanction law and legislation.
- We evaluated internal compliance assessment on these transactions.
- We reconciled all the transactions with the underlying Sales and Purchase Agreements.

We communicated our risk assessment, audit responses and results to management and the Audit Committee of the Supervisory Board.

Other than already disclosed in the annual report, our audit procedures did not reveal indications and/or reasonable suspicion of fraud and non-compliance that are considered material for our audit.

Audit response to going concern

The board of directors has performed its going concern assessment and has not identified any going concern risks. To assess the board of directors assessment, we have performed, inter alia, the following procedures:

- we considered whether the board of directors' assessment of the going concern risks includes all relevant information of which we are aware as a result of our audit;
- we considered whether the developments in macroeconomics (such as increase in energy prices, inflation and interest rates) indicate a going concern risk; and
- we analysed the company's financial position as at year-end and compared it to the previous financial year in terms of indicators that could identify going concern risks.

The outcome of our risk assessment procedures did not give reason to perform additional audit procedures on management's going concern assessment.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information.

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 regarding the management report and the other information.

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 management report, 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 consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We are solely responsible for the opinion and therefore responsible to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial statements. In this respect we are also responsible for directing, supervising and performing the group audit.

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.

Amsterdam, 17 May 2023

KPMG Accountants N.V.

M.L.M. Kesselaer RA