



# PPF GROUP N.V.

## *Annual accounts 2015*

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# Board of Directors report

## Description of the Company

PPF Group N.V.

Date of inception: 29 December 1994

Seat: Netherlands, Strawinskylaan 933, 1077XX Amsterdam

Identification number: 33264887

Basic share capital: 624,010 EUR

Principal business: Holding company activities and financing thereof

## Board of Directors

Aleš Minx, Chairman of the Board of Directors

Jan Cornelis Jansen, Director (from 1 July, 2015)

Rudolf Bosveld, Director

## General information

PPF Group (the “Group”) invests in multiple market sectors such as banking and financial services, telecommunications, insurance, real estate, agriculture, retail and biotechnology. PPF Group’s reach spans from Central and Eastern Europe to Russia, the USA and across Asia. As at 31 December 2015, PPF Group owns assets amounting to BEUR 21.6.

PPF Group N.V., with its registered office in Amsterdam, is the key holding company of the Group that makes the strategic decisions governing the entire Group’s activity. The company owns a 88.62% interest in Home Credit B.V., the holding company for the Home Credit Group companies, providing a global consumer finance business. It also owns 100% of PPF Real Estate Holding B.V., a Group company specialised in real estate projects, and 80% of Eldorado LLC, Russia’s consumer electronic and domestic appliances retailer.

In January 2014 the Group acquired a 65.93% shareholding in Telefónica Czech Republic a.s. (subsequently renamed to O2 Czech Republic), a Czech publicly listed telecommunication company operating also in the Slovak Republic. In April 2015, the Annual General Meeting of O2 Czech Republic (“O2 CR”) approved the company’s demerger into O2 Czech Republic a.s. and Česká telekomunikační infrastruktura, a.s. (“CETIN”). As of 31 December 2015, the Group holds a 84.06% share in O2 CR and a 94.9% in CETIN.

Until January 2015, the Group was a 24% shareholder of Generali PPF Holding B.V. Other major investments, in which the company applies significant influence, is Polymetal Plc. In addition, it is the majority shareholder of PPF banka a.s., Air Bank a.s. and PPF a.s., the principal consulting business for the entire PPF Group.

## Significant events in 2015

### January

Under an agreement between PPF Group and Assicurazioni Generali signed in early 2013, PPF Group completed the sale of its stake in Generali PPF Holding (“GPH”) to the Italian insurance group. PPF Group received a sum of MEUR 1,246 in return for its remaining 24% stake in GPH. The completion of the Generali transaction brought to a successful conclusion PPF Group’s nearly 20-year involvement in the insurance industry in the Czech Republic as well as in other countries of central

Europe. Since GPH sold its insurance companies in Russia to the Group as part of the transaction, PPF Group continues to leverage its insurance business expertise.

### ***June***

The Group finalised the demerger process of O2 Czech Republic a.s. The infrastructure part of the current business, including both the fixed and mobile networks, was spun-off to CETIN, while O2 CR remained a publicly-listed operator providing voice, data and TV services. Having been approved by the court of registration, the demerger took effect as at 1 June 2015. The main business purpose of this step was to separate the telecommunication operator from the regulated infrastructure provider that can offer its services also to other clients on the market in a more efficient way.

On 17 June 2015, the Group acquired a 2% stake in Home Credit B.V. and Air Bank a.s. from the affiliate of Mr. Šmejč, the former shareholder of PPF Group. The Group increased its shareholding in both companies from 86.62 to 88.62%.

On 17 June 2015, the Group sold a 20% stake in Eldorado LLC to the affiliate of Mr. Šmejč.

### **Significant events in 2016**

#### ***January***

The Group became the sole shareholder of CETIN as a result a squeeze-out process of minority shareholders.

### **Financial performance and capital management**

At the end of 2015 the consolidated shareholders' equity of PPF Group N.V. amounted to MEUR 5,163 (31 December 2014: MEUR 4,879).

The consolidated profit attributable to equity shareholders of the Group for 2015 reached MEUR 315 (2014: MEUR 356).

In January 2015 following the GPH divestment, the Group ceased to be a financial conglomerate (group of mixed financial holding companies) and became a group of mixed holding companies and as such the Group is no longer subject to the supplementary prudential rules. Simultaneously, a subgroup operating solely in the financial sector became subject to the consolidated prudential requirements based on the regulation No. 575/2013 of the European Parliament with the Czech National Bank as a consolidating supervisor.

### **Workforce**

The rounded average number of employees during the year 2015 was 85,000 (2014: 83,000).

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

## **Composition of the Board of Directors**

The size and composition of the Board of Directors and the combined experience and expertise of their members should fit, as closely as possible, the profile and strategy of the company. This aim for the best fit, in combination with the availability of qualifying candidates, has resulted in PPF Group currently having a Board of Directors in which all three members are male. In order to increase gender diversity on the Board of Directors, in accordance with article 2:276 section 2 of the Dutch Civil Code, PPF Group pays close attention to gender diversity in the process of recruiting and appointing new members of the Board of Directors. PPF Group will retain an active and open attitude as regards selecting female candidates.

## **Financial instruments and risk management**

The Group is exposed to various risks as a result of its activities: liquidity risk, market risks (interest rate risk, equity price risk, currency risk) and credit risk. In 2008 the Group lost control over all entities engaged in insurance business by signing the closing agreement related to the creation of Generali PPF Holding B.V. In 2013 the Group acquired insurance business in CIS countries so insurance risk is relevant as well.

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, 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.

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

The Group carries an inventory of capital market instruments to manage those risks. Positions are opened in the money market, foreign exchange markets, debt and credit markets and equity markets based on expectations of future market conditions. As at 31 December 2015 the Group held financial instruments in an amount of MEUR 11,166 (excluding assets relating to the associates). Of this amount, financial assets at fair value through profit or loss amounted to MEUR 739, financial assets available for sale MEUR 2,287, held to maturity financial assets MEUR 6 and loans and receivables MEUR 8,134. The financial liabilities held by the Group include, in particular, liabilities due to non-banks totalling MEUR 6,756, liabilities due to banks of MEUR 5,342, debt securities issued amounting to MEUR 1,056, subordinated liabilities MEUR 335 and financial liabilities at fair value through profit or loss of MEUR 299.

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 notes to the consolidated financial statements.

## **Description of core business segments and their development in 2015**

### ***Home Credit Group***

The Home Credit Group (“Home Credit”) is a leading multi-channel provider of consumer finance in Europe and Asia.

Founded in 1997, the Group focuses on responsible lending primarily to people with little or no credit history. The Group drives and broadens financial inclusion for those without access to banking services by providing a positive and safe borrowing experience – the first for many of its customers.

Home Credit is currently active in the Czech Republic (since 1997), the Slovak Republic (since 1999), the Russian Federation (since 2002), Kazakhstan (since 2005), Belarus (since 2007), China (since 2007), India (since 2012), Indonesia (since 2013), the Philippines (since 2013), Vietnam (since 2014) and the United States of America (since 2015). Home Credit specialises in multi-channel consumer finance lending, offering a variety of products. The backbone of its operations, however, is “in-store lending”. At the “points of sale” (or “POS”), spread across local retailers’ shops, the Group offers loans for purchases of durable goods and other types of consumer financing provided in local currencies.

In countries where Home Credit holds banking licences, the group also offers transactional banking for individuals and takes deposits which are an important source of local funding. The Home Credit’s product portfolio differs by country, as market dynamics and customer needs vary from market to market.

As at 31 December 2015, Home Credit’s multi-channel network consisted of 186 thousand distribution points, up 11.7% with 183 thousand POS and loan offices, 2 thousand post offices and 439 bank branches. At the end of the year the Group had 73 thousand employees.

The net loan portfolio rose to MEUR 5,835 (2014: MEUR 5,060) largely because of strong growth across the Group’s Asian operations, particularly China, and the acquisition of Air Bank in June 2015.

Home Credit’s customer deposits were MEUR 4,909 at 31 December 2015, an almost 70% increase compared to the end of 2014 (2014: MEUR 2,890), predominantly as a result of Home Credit’s acquisition of Air Bank in the Czech Republic. The share of current account balances and term deposits now comprises 58.0% of total liabilities (31 December 2014: 49.8%).

In 2015 Home Credit Group continued to manage and finance its holdings carefully, pursuing organic growth, whilst managing its risk and capital in a prudent and disciplined manner. The Group developed the geographic balance of its business with Asia taking an ever-greater share of the total and Russia a less dominant share.

In China, where the Group is now present in 24 provinces, Home Credit continued expanding its distribution network, building its separate on-line distribution, while maintaining risk management and compliance capacities to underpin its growth. In India, Indonesia and the Philippines, Home Credit continued the geographical roll-out of its franchise and develop key business functions further to support this deepening of market penetration. Across the continent, Home Credit started intensively to build on its high-profile partnerships with leading retailers and product manufacturers to deliver unique and trend-setting offerings to its customers.

In Russia, the focus remained on improving the quality of loans against a tough economic backdrop in that region. The overall objective in CEE is to maintain market-leading positions with continued focus on enhancing customer experience, improving efficiency, while also serving as an innovation laboratory for new products and services. Finally, in the USA, Home Credit successfully managed to leverage its partnership with Sprint to deliver new lending solutions uniquely tailored to previously underserved groups of customers through Sprint's vast existing distribution network.

### *Home Credit B.V. consolidated financial highlights*

*In millions of EUR*

|                   | 2015   | 2014   |
|-------------------|--------|--------|
| PPF Group's share | 88.62% | 86.62% |
| Operating income  | 1,619  | 1,943  |
| Net profit/(loss) | (42)   | (60)   |
| Total assets      | 9,656  | 7,037  |
| Total equity      | 1,196  | 1,239  |

### **Air Bank**

Air Bank, a member of the PPF Group from 2010, is a new retail bank. Air Bank was created as a green field operation and officially started its operations in the Czech Republic in November 2011. From the start, Air Bank has offered current accounts with minimal fees and saving accounts with an interest rate that is always among the top three highest on the market. From 2012, it also offers consumer loans under advantageous conditions. In June 2015, Air Bank became legally part of Home Credit Group.

Air Bank grew rapidly in 2015. By the end of last year, the number of clients grew by 33 % to 424 thousand. The volume of deposits in current and savings accounts rose by 27% to BCZK 69.4. The volume of loans in Air Bank's portfolio increased by 8 % to BCZK 27. Air Bank has posted a net profit of MCZK 268 in 2015 (2014: MCZK 313).

### *Consolidated financial highlights*

*In millions of EUR*

|                   | 2015   | 2014   |
|-------------------|--------|--------|
| PPF Group's share | 88.62% | 86.62% |
| Operating income  | 91     | 125    |
| Net profit/(loss) | 9.8    | 11.4   |
| Total assets      | 2,859  | 2,272  |
| Total equity      | 189    | 170    |

### **PPF banka**

PPF banka's principal business is conducting all types of banking operations and providing banking and financial services, along with related services, both in the Czech Republic and in relation to foreign countries. The service offering is tailored primarily for Czech municipal and corporate customers. The bank specialises in financial and capital markets trading in the scope set forth by applicable laws and regulations and on the basis of licenses issued by the Czech National Bank. In 2015, PPF banka continued successfully to develop its operations in export finance, project finance, and financing of mergers and acquisitions. For PPF Group companies, it conducts international payment transactions, as well as providing hedging and other investment services – e.g. arranging for

financing in capital markets. As in previous years, during 2015 PPF banka continued to play a key role as a treasury bank for PPF Group.

PPF banka succeeded in generating the highest profit in all of its history, recognising a net profit of MCZK 1,295 , which was by CZK 595 million higher than in 2014.

Significant financial indicators were growing in 2015. The volume of loans provided to clients last year increased by 10% to BCZK 25.8 and equity rose by more than a fourth to MCZK 7,375. Return on equity (ROE) totalled 19%.

During 2015, PPF banka was substantially involved in transactions connected with the offering of shares of O2 CR and CETIN. The bank organised and settled two public offerings of the shares of O2 Czech Republic, two public offerings of the shares of CETIN as well as the payment of consideration for CETIN's shares acquired by the major shareholder during a squeeze-out. Within the scope of these transactions, the bank acted as an intermediary in deals involving more than 50 million shares and 36 thousand counter-parties.

### *Unconsolidated financial highlights*

*In millions of EUR*

|                   | 2015   | 2014   |
|-------------------|--------|--------|
| PPF Group's share | 92.96% | 92.96% |
| Net profit        | 47.5   | 25.4   |
| Total assets      | 3.815  | 3,903  |
| Total equity      | 273    | 213    |

### *PPF Life Insurance (Russia)*

In March, 2013 PPF Group has acquired Generali PPF Holding's ("GPH") insurance companies in Russia and other CIS countries. In line with the agreement previously announced regarding the sale of PPF Group's 49% stake in GPH to Generali, PPF Group has also acquired a 100% stake in each of the Russian insurance companies operating under the PPF Insurance brand.

In 2015 PPF Life Insurance, one of the top ten life insurers in Russia, grew its total written premiums by 7.2%, year-on-year, to BRUB 2.8. Nearly 100% of this figure was obtained through conventional endowment life insurance business, which is PPF Life Insurance's principal strategic focus. Almost BRUB 2.2 of the overall result were attributable to the insurance company's agency network: sales of insurance policies through this channel were up 13% year-on-year. PPF Life Insurance posted net income of MRUB 164 in 2015. The figures presented in euros in the table below are affected by significant devaluation of rubble in 2015.

The importance of life insurance in the country is growing despite the economic difficulties as clients appreciate especially the risk protection part in such environment.

### *Individual financial highlights*

*In millions of EUR*

|                           | 2015 | 2014  |
|---------------------------|------|-------|
| PPF Group's share         | 100% | 100%  |
| Insurance premium revenue | 91.6 | 156.1 |
| Net profit                | 2.4  | 8.6   |
| Total equity              | 17.5 | 9.2   |

## ***Real Estate***

PPF Real Estate Holding B.V. is a developer, investor and professional consultant in the property sector. PPF Real Estate Holding manages real property assets for companies in the PPF Group portfolio as well as for external clients. The company operates in the Czech Republic, Russia, and other European countries.

In 2015, PPF Real Estate Holding focused on long-term stabilisation of its developed assets across the markets, acquired properties in the Netherlands and Russia and successfully exited from two fully valued properties, one in the Czech Republic and one in the Netherlands. The company consolidated its Czech portfolio by selling several projects in development stage. In Russia, PPF Real Estate Holding is challenged by the overall economic situation with historically highest vacancy rates and lowest rental rates on the real estate market across all segments.

In July 2015, the company increased its presence in the Russian office sector by acquiring a 49.99% stake in two Metropolis Office buildings in partnership with Hines Russia & Poland Fund, an affiliate of Hines, which is a global real estate investment firm. These two buildings are located on a principal route from Sheremetevo airport to Moscow city centre and offer over 56,000 m<sup>2</sup> of high-quality class A office space with almost 100% occupancy.

Phase One of the Comcity Office Park in so-called “New Moscow” not far from Moscow ring road with 107,500 m<sup>2</sup> of office space accommodated three major tenants from IT and telecommunication sectors, accounting for almost 80% of the office leasable area.

Today, PPF’s portfolio of real estate investments in the Netherlands comprises ten properties, with 9 office buildings and one shopping centre. Total leasable area of these assets exceeds 200,000 m<sup>2</sup> and they are located in high-profile areas such as the famous high-rise office building Millennium Tower and Wilhelmina Tower in Rotterdam, attracting high-quality tenants on the extremely competitive Dutch market. In late 2015, the company sold one of the fully valued buildings from the Dutch portfolio and also acquired one office building in the centre of Rotterdam.

ArtGen project in Prague, the capital of the Czech Republic, which was commissioned in late 2014, offers approximately 23,000 m<sup>2</sup> of modern office and retail space in two buildings. In 2015 and throughout first quarter 2016 it has seen successful take-up of over 50% of the leasable area.

## ***Eldorado***

Eldorado is one of Russia's largest retailers of consumer electronics and household appliances.

The company is present in almost all the regions of Russia. Eldorado develops multichannel sales and operates over 600 stores throughout the country. In 2015, the company opened 45 stores, mainly in small towns with a population of 50-70 thousand people. In 2016, 50 new stores will be opened.

In 2014, the company launched b2b sales and expanded its range with new categories such as goods for home, garden and repair, DIY, goods for children and mothers. The company follows the strategy of a multicategory retailer both online and offline. In 2016, the range was expanded with perfume and cosmetics.

Eldorado builds customer loyalty through Club Eldorado, which currently has over 15 million participants.

## Consolidated financial highlights

*In millions of EUR*

|                       | 2015  | 2014  |
|-----------------------|-------|-------|
| PPF Group's share     | 80%   | 100%  |
| Total revenues        | 1,488 | 2,200 |
| Gross profit          | 412   | 612   |
| Gross profit margin % | 27.7% | 27.8% |

### **O2 Czech Republic**

The O2 Czech Republic Group (O2 CR) consists of the company O2 Czech Republic a.s. and its subsidiaries. In 2014, the bulk of the group's services was provided within the Czech Republic. Since 2007, the group has been providing mobile services to customers in Slovakia through its 100% subsidiary O2 Slovakia, s.r.o.

O2 CR is the largest integrated provider of telecommunications services in the Czech Republic, offering an end-to-end range of retail voice, data and internet services via fixed and mobile access. It also offers a unique television service, O2 TV, which is the fastest-growing service in the pay television market in the Czech Republic. With its portfolio of Professional Services and Managed Services, O2 Group is also one of the leading providers of ICT services in the Czech Republic.

Virtual operators also offer their services via the O2 network. In terms of the size of customer base, the largest MVNOs are O2 Family, BLESKmobil, Tesco Mobile and MOBIL OD ČEZ.

In Slovakia, O2 Slovakia continued to grow in all monitored financial and operating indicators. The growth in the customer base was supported mainly by the growth in the number of contract customers.

Following a thorough analyses and a feasibility study, the Board of Directors of O2 CR approved on 13 March 2015 the separation of the Company by spinning off and the formation of the new company. On the same day, the separation of the Company was approved also by the Supervisory Board of the Company. On 28 April 2015, the General Meeting approved separation of the Company. The Decisive Date of the separation was set for 1 January 2015. The separation became legally effective as of the date of record of the separation in the Commercial Register, which was on 1 June 2015.

Starting 1 June 2015, both companies, O2 CR and CETIN, are functioning as mutually independent companies, where CETIN is in the position of key supplier to O2 CR. As of this date, complete separation occurred of the corporate bodies, management and control of both companies, including security, information and control systems.

The following table breaks down the operating indicators:

*In thousands*

|                                        | 2015  | 2014  |
|----------------------------------------|-------|-------|
| Fixed voice lines                      | 840   | 928   |
| xDSL connections – retail              | 795   | 793   |
| Pay TV – O2 TV                         | 202   | 184   |
| Mobile customers in the Czech Republic | 4,896 | 5,069 |
| – of this contract customers           | 3,237 | 3,294 |
| prepaid customers                      | 1,659 | 1,775 |
| Mobile customers in Slovakia           | 1,809 | 1,684 |

### *Consolidated financial highlights*

*In millions of EUR*

|                            | 2015   | 2014   |
|----------------------------|--------|--------|
| PPF Group's share (voting) | 84.06% | 84.61% |
| Total revenues             | 1,370  | 1,357  |
| Net profit                 | 249    | 145    |
| Total assets               | 1,120  | 2,679  |
| Total equity               | 679    | 1,953  |

### **CETIN**

Česká telekomunikační infrastruktura a.s. (CETIN) was formed when it was spun off from O2 Czech Republic a.s. Assets from the divided company were transferred to it under the division project drawn up by that company on 13 March 2015. CETIN was incorporated by entry in the Commercial Register on 1 June 2015. As the reference date for the division was set as 1 January 2015, CETIN reports its financial results for the full calendar year of 2015.

CETIN manages and operates the Czech Republic's largest telecommunications network, covering the entire country. An independent wholesale player, it has no ties to any particular provider, instead pursuing a principle of open network access for all operators on fair and equitable terms.

CETIN owns and operates the country's largest telecommunications network, covering 99.6% of the population with a mix of GSM, UMTS, LTE and CDMA mobile technologies disseminated by nearly 6,000 base stations, along with SDH, WDM, Ethernet and IP fixed technologies. CETIN's network encompasses 20 million km of copper cable pairs and hooks up almost all households and businesses. The company owns 38,000 km of fibre optic cables across the Czech Republic, with more being added by the day. On the international stage, the Company maintains a presence via physical network nodes in London, Vienna, Bratislava, Frankfurt and – soon – Hong Kong.

The Company provides exclusively wholesale telecommunications infrastructure services to other telecommunications operators. Services directly to end users are not available.

The Company splits its business into two segments – the provision of national network services and international transit services. These two subdivisions operate in different markets. They generally employ different assets, pursue fundamentally different business models, and report quite disparate profitability and capital intensity.

## Consolidated financial highlights

*In millions of EUR*

|                            | 2015   |
|----------------------------|--------|
| PPF Group's share (voting) | 94.90% |
| Total revenues             | 701    |
| Net profit                 | 71     |
| Total assets               | 3,292  |
| Total equity               | 1,783  |

### Polymetal

Polymetal is a precious metals mining group with a strong track record of stable operating performance and new project delivery. Company's performance in 2015 generated robust operating and financial results. The development of Kyzyl, its largest project, will strengthen Polymetal's position to deliver sustainable value to all its stakeholders.

In 2015, Polymetal continued to deliver solid production results, producing 1.27 Moz of gold equivalent. The production guidance was exceeded by 4% and this was the fourth year in a row in which Polymetal have exceeded its annual estimates. This was achieved against the backdrop of depressed gold and silver prices, and continued macro-economic instability.

During the year Polymetal expanded its portfolio of near-mine advanced exploration projects through the acquisition of Primorskoye, a silver/gold site, and by acquiring Lichkvaz, its first asset in Armenia. At the end of 2015 an exciting new joint venture with Polyus Gold at Nezhdaninskoye, the fourth largest gold deposit in Russia, was announced.

Strong free cash flow generation remains a key differentiator for Polymetal. Generating a healthy free cash flow of MUSD 263 during the year coupled with a strong balance sheet, the Company paid out MUSD 127 in special dividends in 2015. This brings the total amount of dividends declared during 2015 to MUSD 216, an increase of almost 25% on last year's total of MUSD 173 million.

## Consolidated financial and production highlights

|                                    | 2015  | 2014  |
|------------------------------------|-------|-------|
| PPF Group's legal share            | 17.9% | 18.4% |
| Gold production (Koz)              | 861   | 945   |
| Silver production (Moz)            | 32.1  | 28.7  |
| Revenues (USD millions)            | 1,441 | 1,690 |
| Net profit/(loss) (USD millions)   | 221   | (210) |
| Number of employees (in thousands) | 9.3   | 8.9   |

### Research and development

SOTIO is a biotechnology company that is developing new medical therapies, focusing on the treatment of cancer and autoimmunity diseases. SOTIO became part of PPF Group at the end of 2012. SOTIO undertakes research into its own immunotherapy platform based on activated dendritic cells, as well as clinical trials with the view to introducing new medicinal products into the market.

SOTIO continues to implement a long-term strategy for the clinical development of new therapies for oncology diseases based on active cellular immunotherapy. In 2015 ten clinical studies were running in Europe and in the USA, focusing on patients with prostate, ovarian and lung cancer. The company

also conducts several joint research projects with leading hospitals in China. Besides their own clinical development program, SOTIO is also actively seeking investment opportunities and joint projects in the field of innovative approaches to treat cancer diagnoses.

In 2014, SOTIO launched the VIABLE study – a Phase III international clinical trial of an active cellular immunotherapy treatment for patients with prostate cancer. This is the first time in modern history that a company from the Czech Republic has reached this level of clinical development. SOTIO is also the first company from Central and Eastern Europe to initiate a Phase III clinical trial in the area of cellular immunotherapy. The target enrolment for the VIABLE study is 1,170 patients, recruiting from 20 European countries and the USA.

In addition to the VIABLE study, there is currently a further five Phase II clinical trials in prostate cancer being conducted in the Czech Republic and three Phase II clinical trials in ovarian cancer patients being conducted in Germany and Poland as well as in the Czech Republic. Recruitment of patients in these studies has been completed and studies are currently under evaluation.

The latest addition to the SOTIO clinical trial pipeline is active cellular immunotherapy for lung cancer patients. The first patient was enrolled in the Phase I/II study at the end of 2014. The study is ongoing in the Czech and Slovak Republic. The Company also prepares to launch two new studies focused on patients with prostate cancer.

SOTIO as part of the PPF Group serves as its hub for further expansion in the biotechnology industry, searching for investment opportunities and partnership projects. PPF Group acquired in 2014 a majority stake in the French company OriBase Pharma, which focuses on developing new cancer treatment methods. SOTIO also acquired another affiliate in 2014: Accord Research, an independent Contract Research Organization which provides clinical research services in several of SOTIO's clinical trials, as well as for external pharmaceutical companies. Early in 2015, PPF Group also acquired a significant minority stake in Cytune Pharma SAS, a French biotechnology company involved in the research and development of new therapeutic procedures focusing on boosting immune response to cancers and infectious diseases.

## **Outlook**

The primary goal of PPF Group's activities is to generate returns on its investments in the most efficient manner. The investment strategy of PPF Group is based on two pillars. The first is expansion – constantly seeking out new investment opportunities where we can add value by conducting operational restructuring with tried and tested business models, implementing strict financial and corporate discipline, and engendering leadership and expertise through excellent management.

Beside the development of PPF Group through expansion into new markets, a no less important element in the investment policy is stabilising and reinforcing the existing position of companies (investments) in markets where the Group already has a presence. This also means improving and expanding the existing offer of financial services and products. In this manner, modern financial products are being produced throughout the Group, assuring comprehensive client service and satisfying client needs to the maximum extent possible.

We aim to continue to grow, innovate and leverage the extensive background of our knowledge and experience to achieve success. Over the 25 years of its existence, PPF Group has gained a proven track record in business restructuring in Central and Eastern Europe, Russia and Asia, and we will continue to focus on achieving investment opportunities in these key regions.

## Social responsibility

PPF Group is aware of its wider social responsibility wherever it operates and invests. Each of the companies of the Group pursues its own corporate social responsibility projects in the countries where it operates. From the beginning, PPF Group has been focusing its support primarily on two areas: art and education.

PPF Group has a national association with art projects and works of art in the Czech Republic. PPF Group possesses what is probably the largest private art collection in the country and, in addition, supports many top-ranked cultural events and operates several art galleries. In addition, it is behind the Summer Shakespeare Festival and contributes every year to the operation of the Jára Cimrman Theatre in Prague.

The decision to focus PPF Group's supporting efforts on education is associated with the Group's general emphasis on human capital. PPF Group feels it is the Group's responsibility to help those who, not of their doing, find themselves in difficult situations in life yet have the will, determination and ability to change their life through education. Several projects have been developed on the basis of this idea, all focused on improving the quality of education in the Czech Republic.

Three handwritten signatures in blue ink are displayed horizontally. The first signature on the left is a stylized, cursive 'JF'. The middle signature is written in a more legible, cursive script and appears to read 'Jana'. The signature on the right is a long, sweeping, and highly stylized cursive mark.



# **PPF GROUP N.V.**

*Consolidated financial statements for the year ended 31 December 2015*

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**Glossary of abbreviations**

|       |                                                  |
|-------|--------------------------------------------------|
| OCI   | - other comprehensive income                     |
| NCI   | - non-controlling interests                      |
| AFS   | - available for sale                             |
| FVTPL | - fair value through profit or loss              |
| HTM   | - held to maturity                               |
| OTC   | - over the counter                               |
| PPE   | - property, plant and equipment                  |
| PVFP  | - present value of future profits                |
| IPRD  | - in-progress research and development           |
| FX    | - foreign exchange                               |
| FV    | - fair value                                     |
| CGU   | - cash generating unit                           |
| LAT   | - liability adequacy test                        |
| RBNS  | - provision for claims reported but not settled  |
| IBNR  | - provision for claims incurred but not reported |
| LTV   | - loan to value                                  |

## Consolidated statement of financial position

As at 31 December

*In millions of EUR*

|                                                                       | Note | 2015          | 2014          |
|-----------------------------------------------------------------------|------|---------------|---------------|
| <b>ASSETS</b>                                                         |      |               |               |
| Cash and cash equivalents                                             | E1   | 2,732         | 2,148         |
| Investment securities                                                 | E2   | 3,032         | 2,707         |
| Positive fair value of hedging derivatives                            | E3   | 96            | 131           |
| Loans and receivables due from banks and other financial institutions | E4   | 549           | 695           |
| Loans due from customers                                              | E5   | 7,153         | 7,060         |
| Trade and other receivables                                           | E6   | 432           | 355           |
| Current tax assets                                                    |      | 11            | 23            |
| Inventories                                                           | E8   | 481           | 358           |
| Assets held for sale                                                  | E9   | 12            | 1,177         |
| Investments in associates and joint ventures                          | E10  | 617           | 577           |
| Investment property                                                   | E11  | 1,507         | 1,596         |
| Property, plant and equipment                                         | E12  | 2,417         | 2,458         |
| Intangible assets                                                     | E13  | 2,157         | 2,199         |
| Other assets                                                          | E14  | 235           | 272           |
| Deferred tax assets                                                   | E7.2 | 180           | 137           |
| <b>TOTAL ASSETS</b>                                                   |      | <b>21,611</b> | <b>21,893</b> |
| <b>LIABILITIES</b>                                                    |      |               |               |
| Financial liabilities at fair value through profit or loss            | E2.2 | 299           | 262           |
| Due to non-banks                                                      | E15  | 6,756         | 6,587         |
| Due to banks and other financial institutions                         | E16  | 5,342         | 5,301         |
| Debt securities issued                                                | E17  | 1,056         | 1,077         |
| Subordinated liabilities                                              | E18  | 335           | 502           |
| Liabilities held for sale                                             | E9   | 5             | 10            |
| Current tax liabilities                                               |      | 59            | 58            |
| Trade and other payables                                              | E20  | 1,436         | 1,675         |
| Provisions                                                            | E19  | 178           | 267           |
| Deferred tax liabilities                                              | E7.2 | 465           | 460           |
| <b>TOTAL LIABILITIES</b>                                              |      | <b>15,931</b> | <b>16,199</b> |
| <b>CONSOLIDATED EQUITY</b>                                            |      |               |               |
| Capital issued                                                        | E21  | 1             | 1             |
| Share premium                                                         |      | 677           | 677           |
| Other reserves                                                        | E22  | (737)         | (1,216)       |
| Retained earnings                                                     |      | 5,222         | 5,417         |
| Total equity attributable to owners of the Parent                     |      | 5,163         | 4,879         |
| Non-controlling interests                                             | E23  | 517           | 815           |
| <b>Total consolidated equity</b>                                      |      | <b>5,680</b>  | <b>5,694</b>  |
| <b>TOTAL LIABILITIES AND EQUITY</b>                                   |      | <b>21,611</b> | <b>21,893</b> |

## Consolidated income statement

For the year ended 31 December

*In millions of EUR*

|                                                        | Note       | 2015           | 2014           |
|--------------------------------------------------------|------------|----------------|----------------|
| Interest income                                        |            | 2,083          | 2,470          |
| Interest expense                                       |            | (802)          | (785)          |
| <b>Net interest income</b>                             | <b>E24</b> | <b>1,281</b>   | <b>1,685</b>   |
| Fee and commission income                              |            | 437            | 560            |
| Fee and commission expense                             |            | (121)          | (138)          |
| <b>Net fee and commission income</b>                   | <b>E25</b> | <b>316</b>     | <b>422</b>     |
| Net gain on financial assets                           | E26        | 37             | 6              |
| Net impairment losses on financial assets              | E27        | (758)          | (1,281)        |
| <b>Other banking result</b>                            |            | <b>(721)</b>   | <b>(1,275)</b> |
| <b>NET BANKING INCOME</b>                              |            | <b>876</b>     | <b>832</b>     |
| Net earned premiums                                    |            | 147            | 241            |
| Net insurance benefits and claims                      |            | (32)           | (35)           |
| Acquisition costs                                      |            | (60)           | (126)          |
| <b>NET INSURANCE INCOME</b>                            | <b>E28</b> | <b>55</b>      | <b>80</b>      |
| Net rental and related income                          | E29        | 147            | 89             |
| Property operating expenses                            |            | (46)           | (27)           |
| Net valuation gain/(loss) on investment property       | E11        | 17             | 93             |
| Net income related to construction contracts           |            | 2              | -              |
| Profit on disposal of investment property              |            | 27             | -              |
| <b>NET REAL ESTATE INCOME</b>                          |            | <b>147</b>     | <b>155</b>     |
| Sales of goods                                         |            | 1,415          | 2,111          |
| Cost of goods sold                                     |            | (1,061)        | (1,588)        |
| Other income on retail operations                      |            | 33             | 47             |
| <b>NET INCOME ON RETAIL OPERATIONS</b>                 |            | <b>387</b>     | <b>570</b>     |
| Telecommunication income                               |            | 1,670          | 1,488          |
| Telecommunication expenses                             |            | (583)          | (473)          |
| <b>NET TELECOMMUNICATION INCOME</b>                    | <b>E30</b> | <b>1,087</b>   | <b>1,015</b>   |
| Net agriculture income                                 | E31        | 7              | 1              |
| Other income                                           | E32        | 73             | 86             |
| <b>OTHER OPERATING INCOME</b>                          |            | <b>80</b>      | <b>87</b>      |
| General administrative expenses                        | E33        | (1,702)        | (1,914)        |
| Other operating expenses                               | E34        | (631)          | (754)          |
| <b>OPERATING EXPENSES</b>                              |            | <b>(2,333)</b> | <b>(2,668)</b> |
| Net gain from sale of subsidiaries and associates      |            | 104            | 367            |
| Share of earnings of associates/joint ventures         | E10        | 93             | 17             |
| <b>PROFIT BEFORE TAX</b>                               |            | <b>496</b>     | <b>455</b>     |
| Income tax expense                                     | E7.1       | (144)          | (83)           |
| <b>NET PROFIT FOR THE PERIOD</b>                       |            | <b>352</b>     | <b>372</b>     |
| Net profit attributable to non-controlling interests   | E23        | 37             | 16             |
| <b>NET PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT</b> |            | <b>315</b>     | <b>356</b>     |

## Consolidated statement of comprehensive income

For the year ended 31 December

*In millions of EUR*

|                                                                            | 2015        | 2014         |
|----------------------------------------------------------------------------|-------------|--------------|
| <b>NET PROFIT FOR THE PERIOD</b>                                           | <b>352</b>  | <b>372</b>   |
| <b>Other comprehensive income*</b>                                         |             |              |
| Valuation gains/(losses) on available-for-sale financial assets            | 19          | (2)          |
| AFS revaluation gains/(losses) transferred to income statement             | 7           | (5)          |
| Currency translation differences                                           | (156)       | (403)        |
| Effect of movement in equity of associates                                 | 38          | (37)         |
| Disposal of associates                                                     | 23          | 65           |
| Cash flow hedge - effective portion of changes in fair value               | (19)        | 170          |
| Cash flow hedge - net amount transferred to profit or loss                 | 8           | (155)        |
| Income tax relating to components of other comprehensive income            | (3)         | (2)          |
| <b>Other comprehensive income/(loss) for the period (net of tax)</b>       | <b>(83)</b> | <b>(369)</b> |
| <b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>                           | <b>269</b>  | <b>3</b>     |
| Total comprehensive income attributable to non-controlling interests       | 38          | (22)         |
| <b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT</b> | <b>231</b>  | <b>25</b>    |

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

The consolidated financial statements were approved by the Board of Directors on 25 May 2016.

## Consolidated statement of changes in equity

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

|                                                           | Capital<br>issued | Share<br>premium | Available<br>for sale<br>reserve | Legal and<br>statutory<br>reserves | Translation<br>reserve | Treasury<br>share<br>reserve | Hedging<br>reserve | Retained<br>earnings | Attributable<br>to owners<br>of the<br>Parent | Attributable<br>to non-<br>controlling<br>interests | Total        |
|-----------------------------------------------------------|-------------------|------------------|----------------------------------|------------------------------------|------------------------|------------------------------|--------------------|----------------------|-----------------------------------------------|-----------------------------------------------------|--------------|
| <b>Balance at 1 January 2015</b>                          | <b>1</b>          | <b>677</b>       | <b>21</b>                        | <b>28</b>                          | <b>(704)</b>           | <b>(567)</b>                 | <b>6</b>           | <b>5,417</b>         | <b>4,879</b>                                  | <b>815</b>                                          | <b>5,694</b> |
| Profit for the period                                     | -                 | -                | -                                | -                                  | -                      | -                            | -                  | 315                  | 315                                           | 37                                                  | 352          |
| Currency translation differences                          | -                 | -                | -                                | -                                  | (158)                  | -                            | 1                  | -                    | (157)                                         | 1                                                   | (156)        |
| Valuation gains/(losses) taken to equity for AFS          | -                 | -                | 19                               | -                                  | -                      | -                            | -                  | -                    | 19                                            | -                                                   | 19           |
| AFS revaluation gains transferred to income statement     | -                 | -                | 7                                | -                                  | -                      | -                            | -                  | -                    | 7                                             | -                                                   | 7            |
| Effect of hedge accounting                                | -                 | -                | -                                | -                                  | -                      | -                            | (11)               | -                    | (11)                                          | -                                                   | (11)         |
| Effect of movement in equity of associates                | -                 | -                | -                                | -                                  | -                      | -                            | -                  | 38                   | 38                                            | -                                                   | 38           |
| Disposal of associates                                    | -                 | -                | (27)                             | -                                  | 50                     | -                            | -                  | -                    | 23                                            | -                                                   | 23           |
| Tax on items taken directly to or transferred from equity | -                 | -                | (5)                              | -                                  | -                      | -                            | 2                  | -                    | (3)                                           | -                                                   | (3)          |
| <b>Total comprehensive income</b>                         | <b>-</b>          | <b>-</b>         | <b>(6)</b>                       | <b>-</b>                           | <b>(108)</b>           | <b>-</b>                     | <b>(8)</b>         | <b>353</b>           | <b>231</b>                                    | <b>38</b>                                           | <b>269</b>   |
| Net allocation to legal and statutory reserves            | -                 | -                | -                                | 16                                 | -                      | -                            | -                  | (16)                 | -                                             | -                                                   | -            |
| Acquisition of NCI in HCBV and Air Bank                   | -                 | -                | -                                | -                                  | -                      | -                            | -                  | (49)                 | (49)                                          | (29)                                                | (78)         |
| Sale of NCI in Eldorado                                   | -                 | -                | -                                | -                                  | 18                     | -                            | -                  | 59                   | 77                                            | 21                                                  | 98           |
| Dividends paid to NCI                                     | -                 | -                | -                                | -                                  | -                      | -                            | -                  | -                    | -                                             | (36)                                                | (36)         |
| Other changes in NCI                                      | -                 | -                | -                                | -                                  | -                      | -                            | -                  | 25                   | 25                                            | (292)                                               | (267)        |
| Cancellation of treasury shares                           | -                 | -                | -                                | -                                  | -                      | 567                          | -                  | (567)                | -                                             | -                                                   | -            |
| <b>Total transactions with owners of the Company</b>      | <b>-</b>          | <b>-</b>         | <b>-</b>                         | <b>16</b>                          | <b>18</b>              | <b>567</b>                   | <b>-</b>           | <b>(548)</b>         | <b>53</b>                                     | <b>(336)</b>                                        | <b>(283)</b> |
| <b>Balance at 31 December 2015</b>                        | <b>1</b>          | <b>667</b>       | <b>15</b>                        | <b>44</b>                          | <b>(794)</b>           | <b>-</b>                     | <b>(2)</b>         | <b>5,222</b>         | <b>5,163</b>                                  | <b>517</b>                                          | <b>5,680</b> |

## Consolidated statement of changes in equity

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

|                                                           | Capital<br>issued | Share<br>premium | Available<br>for sale<br>reserve | Legal and<br>statutory<br>reserves | Translation<br>reserve | Treasury<br>share<br>reserve | Hedging<br>reserve | Retained<br>earnings | Attributable<br>to owners<br>of the<br>Parent | Attributable<br>to non-<br>controlling<br>interests | Total        |
|-----------------------------------------------------------|-------------------|------------------|----------------------------------|------------------------------------|------------------------|------------------------------|--------------------|----------------------|-----------------------------------------------|-----------------------------------------------------|--------------|
| <b>Balance at 1 January 2014</b>                          | <b>1</b>          | <b>677</b>       | <b>29</b>                        | <b>24</b>                          | <b>(357)</b>           | <b>(458)</b>                 | <b>(35)</b>        | <b>5,181</b>         | <b>5,062</b>                                  | <b>428</b>                                          | <b>5,490</b> |
| Profit for the period                                     | -                 | -                | -                                | -                                  | -                      | -                            | -                  | 356                  | 356                                           | 16                                                  | 372          |
| Currency translation differences                          | -                 | -                | -                                | -                                  | (358)                  | -                            | (3)                | -                    | (361)                                         | (42)                                                | (403)        |
| Valuation gains/(losses) taken to equity for AFS          | -                 | -                | (4)                              | -                                  | -                      | -                            | -                  | -                    | (4)                                           | 2                                                   | (2)          |
| AFS revaluation gains transferred to income statement     | -                 | -                | (5)                              | -                                  | -                      | -                            | -                  | -                    | (5)                                           | -                                                   | (5)          |
| Effect of hedge accounting                                | -                 | -                | -                                | -                                  | -                      | -                            | 13                 | -                    | 13                                            | 2                                                   | 15           |
| Effect of movement in equity of associates                | -                 | -                | (1)                              | -                                  | (18)                   | -                            | (1)                | (17)                 | (37)                                          | -                                                   | (37)         |
| Disposal of associates                                    | -                 | -                | 1                                | -                                  | 29                     | -                            | 35                 | -                    | 65                                            | -                                                   | 65           |
| Tax on items taken directly to or transferred from equity | -                 | -                | 1                                | -                                  | -                      | -                            | (3)                | -                    | (2)                                           | -                                                   | (2)          |
| <b>Total comprehensive income</b>                         | <b>-</b>          | <b>-</b>         | <b>(8)</b>                       | <b>-</b>                           | <b>(347)</b>           | <b>-</b>                     | <b>41</b>          | <b>339</b>           | <b>25</b>                                     | <b>(22)</b>                                         | <b>3</b>     |
| Net allocation to legal and statutory reserves            | -                 | -                | -                                | 4                                  | -                      | -                            | -                  | (4)                  | -                                             | -                                                   | -            |
| Acquisition of subsidiaries with NCI                      | -                 | -                | -                                | -                                  | -                      | -                            | -                  | -                    | -                                             | 472                                                 | 472          |
| Dividends paid to NCI                                     | -                 | -                | -                                | -                                  | -                      | -                            | -                  | -                    | -                                             | (73)                                                | (73)         |
| Other changes in NCI                                      | -                 | -                | -                                | -                                  | -                      | -                            | -                  | (99)                 | (99)                                          | 10                                                  | (89)         |
| Acquisition of treasury shares                            | -                 | -                | -                                | -                                  | -                      | (109)                        | -                  | -                    | (109)                                         | -                                                   | (109)        |
| <b>Total transactions with owners of the Company</b>      | <b>-</b>          | <b>-</b>         | <b>-</b>                         | <b>4</b>                           | <b>-</b>               | <b>(109)</b>                 | <b>-</b>           | <b>(103)</b>         | <b>(208)</b>                                  | <b>409</b>                                          | <b>201</b>   |
| <b>Balance at 31 December 2014</b>                        | <b>1</b>          | <b>677</b>       | <b>21</b>                        | <b>28</b>                          | <b>(704)</b>           | <b>(567)</b>                 | <b>6</b>           | <b>5,417</b>         | <b>4,879</b>                                  | <b>815</b>                                          | <b>5,694</b> |

## Consolidated statement of cash flows

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

*In millions of EUR*

|                                                                                 | 2015           | 2014         |
|---------------------------------------------------------------------------------|----------------|--------------|
| <b>Cash flows from operating activities</b>                                     |                |              |
| Profit before tax                                                               | 496            | 455          |
| Adjustments for:                                                                |                |              |
| Depreciation and amortisation                                                   | 484            | 501          |
| Impairment losses on goodwill                                                   | -              | 18           |
| Impairment and reversal of impairment of current and non-current assets         | 754            | 1,312        |
| Profit on disposal of PPE, intangible assets and investment property            | (18)           | 8            |
| Profit/loss on sale of investment securities                                    | 48             | (238)        |
| Gains on disposal of consolidated subsidiaries and associates                   | (104)          | (367)        |
| Interest expense                                                                | 802            | 785          |
| Interest income                                                                 | (2,083)        | (2,470)      |
| Other income/expenses not involving movements of cash                           | (865)          | (1,713)      |
| Negative goodwill                                                               | -              | (13)         |
| Change in loans and receivables due from banks and other financial institutions | 148            | 510          |
| Change in loans due from customers                                              | (820)          | 1,697        |
| Change in trade and other receivables                                           | (77)           | (245)        |
| Change in other assets                                                          | (93)           | 710          |
| Change in liabilities due to non-banks                                          | 478            | (709)        |
| Change in trade and other payables                                              | (329)          | (674)        |
| Income tax paid                                                                 | (182)          | (68)         |
| <b>Net cash from operating activities</b>                                       | <b>(1,361)</b> | <b>(501)</b> |
| <b>Cash flows from investing activities</b>                                     |                |              |
| Interest received                                                               | 2,102          | 2,544        |
| Dividends received                                                              | 53             | 87           |
| Purchase of tangible assets and intangible assets                               | (404)          | (431)        |
| Purchase of financial assets at FVTPL                                           | (19,085)       | (765)        |
| Proceeds from financial assets at FVTPL                                         | 19,018         | 378          |
| Proceeds from sale of financial assets at FVTPL not held for trading            | 22             | -            |
| Purchase of financial assets held to maturity                                   | (6)            | (8)          |
| Purchase of financial assets available for sale                                 | (2,226)        | (1,081)      |
| Purchase of investment property                                                 | (54)           | (313)        |
| Acquisition of subsidiaries and associates, net of cash acquired                | (126)          | (2,412)      |
| Proceeds from disposals of PPE and intangible assets                            | 16             | 13           |
| Proceeds from financial assets held to maturity                                 | 18             | 35           |
| Proceeds from sale of financial assets available for sale                       | 1,942          | 697          |
| Proceeds from sale of investment property                                       | 98             | 7            |
| Proceeds from disposal of subsidiaries and associates, net of cash disposed     | 1,359          | 1,088        |
| Acquisition of treasury shares                                                  | -              | (109)        |
| <b>Net cash from investing activities</b>                                       | <b>2,727</b>   | <b>(270)</b> |

**PPF Group N.V.***Notes to the consolidated financial statements for the year ended 31 December 2015*

|                                                                   | 2015         | 2014         |
|-------------------------------------------------------------------|--------------|--------------|
| <b>Cash flows from financing activities</b>                       |              |              |
| Proceeds from the issue of debt securities                        | 1,258        | 1,071        |
| Proceeds from loans due to banks and other financial institutions | 18,414       | 21,811       |
| Payment of debt securities                                        | (1,432)      | (1,606)      |
| Repayment of loans due to banks and other financial institutions  | (18,037)     | (19,080)     |
| Interest paid                                                     | (902)        | (809)        |
| Dividends paid to non-controlling interests                       | (36)         | (73)         |
| <b>Cash flow from financing activities</b>                        | <b>(735)</b> | <b>1,314</b> |
| <b>Net increase in cash and cash equivalents</b>                  | <b>631</b>   | <b>543</b>   |
| <b>Cash and cash equivalents as at 1 January</b>                  | <b>2,148</b> | <b>1,875</b> |
| Effect of exchange rate movements on cash and cash equivalents    | (47)         | (270)        |
| <b>Cash and cash equivalents as at 31 December</b>                | <b>2,732</b> | <b>2,148</b> |

# **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 banking and financial services, telecommunications, real estate, retail, insurance, metal mining, agriculture and biotechnology. Its activities span from Europe to Russia, the US and across Asia.

The consolidated financial statements of the Parent Company for the year ended 31 December 2015 comprise the Parent Company and its subsidiaries (together referred to as “PPF Group” or the “Group”) and the Group’s interests in associates, joint ventures and affiliated entities. Refer to Section B of these consolidated financial statements for a listing of significant Group entities and changes to the Group in 2015 and 2014.

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

As at 31 December 2015, the ultimate shareholder structure was as follows:

Petr Kellner - 98.92% (directly and indirectly)

Ladislav Bartoníček - 0.54% (indirectly)

Jean-Pascal Duvieusart - 0.54% (indirectly)

### ***A.2. Statement of compliance***

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, including International Accounting Standards (“IASs”), promulgated by the International Accounting Standards Board (“IASB”), and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) of the IASB.

### ***A.3. Basis of preparation***

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

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

The consolidated financial statements have been prepared on a historical cost basis, except for the following assets and liabilities, which are stated at their fair value: derivative financial instruments, financial instruments held for trading, financial instruments designated upon initial recognition as financial instruments at fair value through profit or loss, financial

instruments classified as available-for-sale, investment property and biological assets. Financial assets and liabilities and non-financial assets and liabilities which are measured at historical cost are stated at amortised cost using the effective interest method or historical cost, as appropriate, net of any relevant impairment.

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

#### **A.4. Use of judgements and estimates**

In preparing these 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 they specifically relate to the determination of:

- initial value of goodwill for each business combination (refer to B);
- the fair value of tangible and intangible assets identified during the purchase price allocation exercise (refer to B);
- provisions recognised under liabilities (refer to E.19); and
- the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits (refer to E.7).

The judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements are described as follows:

##### Classification of investment in Polymetal Plc. as an associate

Since 2014, the investment in Polymetal has decreased below 20% mainly due to capital increases in which the Group did not participate. The Group assessed the significant qualitative features of the ability to apply significant control such as representation on the board of directors and concentration of other shareholders. Based on this assessment, the Group retained the initial classification of Polymetal as "investment in associate".

##### Classification of real estate acquisitions as a business combination or purchase of individual assets and liabilities

Most of the Group's real estate acquisitions are structured as purchases of legal entities with assets and liabilities rather than individual asset deals. In these cases, the Group evaluates if the acquired entity represents a business consisting of inputs and processes which lead to the ability to create outputs in the form of rental income. The core feature leading to identification of a business combination is the existence of lease agreements, property management and administration service agreements that are part of the acquired business. If this core feature is not present, the acquisition is treated as a purchase of individual assets and liabilities.

Classification of leased property occupied by the Group and external tenants

The Group holds in its portfolio several office and retail buildings which are occupied by the Group and also by external tenants. If a significant portion of space is occupied by the Group, the property is classified as operating property and stated at cost less depreciation. Otherwise, the building is classified as investment property, which is stated at fair value.

**A.5. Basis of consolidation**

Subsidiaries are those entities that are controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable or convertible are taken into consideration. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

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

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

Derecognition of subsidiaries, associates and joint ventures follows the applicable contractual arrangements and statutory terms.

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

## B. Consolidated group and the main changes for the period

### B.1. Group entities

The following list shows only significant holding and operating entities that are subsidiaries, associates or joint ventures of the Parent Company as of 31 December 2015 and 2014.

| Company                                             | Domicile       | Effective proportion of ownership interest 2015 | Effective proportion of ownership interest 2014 |
|-----------------------------------------------------|----------------|-------------------------------------------------|-------------------------------------------------|
| PPF Group N.V.                                      | Netherlands    | Parent Company                                  | Parent Company                                  |
| <i>Home Credit subgroup - subsidiaries</i>          |                |                                                 |                                                 |
| Home Credit B.V.                                    | Netherlands    | 88.62%                                          | 86.62%                                          |
| Bank Home Credit SB JSC                             | Kazakhstan     | 88.62%                                          | 86.62%                                          |
| CF Commercial Consulting (Beijing) Co., Ltd.        | China          | 88.62%                                          | 100.00%                                         |
| Favour Ocean Ltd.                                   | Hong Kong      | 88.62%                                          | 86.62%                                          |
| Guangdong Home Credit Financing Guarantee Co., Ltd. | China          | 88.62%                                          | 86.62%                                          |
| HC Consumer Finance Philippines, Inc.               | Philippines    | 87.32%                                          | 82.58%                                          |
| Home Credit a.s.                                    | Czech Republic | 88.62%                                          | 86.62%                                          |
| Home Credit and Finance Bank LLC                    | Russia         | 88.62%                                          | 86.62%                                          |
| Home Credit Asia Ltd.                               | Hong Kong      | 88.62%                                          | 86.62%                                          |
| Home Credit Bank OJSC                               | Belarus        | 88.62%                                          | 86.62%                                          |
| Home Credit Consumer Finance China Ltd.             | China          | 88.62%                                          | 86.62%                                          |
| Home Credit India Finance Private Ltd.              | India          | 88.62%                                          | 86.62%                                          |
| Home Credit Indonesia PT                            | Indonesia      | 75.33%                                          | 65.38%                                          |
| Home Credit Insurance LLC                           | Russia         | 88.62%                                          | 86.62%                                          |
| Home Credit International a.s.                      | Czech Republic | 88.62%                                          | 86.62%                                          |
| Home Credit Slovakia, a.s.                          | Slovakia       | 88.62%                                          | 86.62%                                          |
| Home Credit US, LLC                                 | USA            | 44.40%                                          | 86.62%                                          |
| Home Credit Vietnam Finance Company Ltd.            | Vietnam        | 88.62%                                          | 86.62%                                          |
| Homer Software House LLC                            | Ukraine        | 88.62%                                          | 86.62%                                          |
| PPF Insurance FICJSC                                | Belarus        | 88.62%                                          | 86.62%                                          |
| Shenzen Home Credit Financial Service Co., Ltd.     | China          | 88.62%                                          | 86.62%                                          |
| Shenzen Home Credit Number One Consulting Co., Ltd. | China          | 88.62%                                          | 86.62%                                          |
| Sichuan Home Credit Financing Guarantee Co. Ltd.    | China          | 88.62%                                          | 86.62%                                          |
| Air Bank a.s.                                       | Czech Republic | 88.62%                                          | 86.62%                                          |
| AB 1 B.V.                                           | Netherlands    | 88.62%                                          | 86.62%                                          |
| AB 2 B.V.                                           | Netherlands    | 88.62%                                          | 86.62%                                          |
| AB 3 B.V.                                           | Netherlands    | 88.62%                                          | 86.62%                                          |
| AB 4 B.V.                                           | Netherlands    | 88.62%                                          | 86.62%                                          |
| AB 5 B.V.                                           | Netherlands    | 88.62%                                          | 86.62%                                          |
| AB 6 B.V.                                           | Netherlands    | 88.62%                                          | 86.62%                                          |
| AB 7 B.V.                                           | Netherlands    | 88.62%                                          | 86.62%                                          |
| PPF Home Credit IFN S.A.                            | Romania        | -                                               | 86.62%                                          |
| <i>Other banking subgroup - subsidiaries</i>        |                |                                                 |                                                 |
| PPF banka, a.s.                                     | Czech Republic | 92.96%                                          | 92.96%                                          |
| Ruconfin B.V.                                       | Netherlands    | 92.96%                                          | 92.96%                                          |
| <i>Real estate subgroup - subsidiaries</i>          |                |                                                 |                                                 |
| PPF Real Estate Holding B.V.                        | Netherlands    | 100.00%                                         | 100.00%                                         |
| Alrik Ventures Ltd.                                 | Cyprus         | 100.00%                                         | 100.00%                                         |
| Anthemona Ltd.                                      | Cyprus         | 100.00%                                         | 100.00%                                         |
| Areál Ďáblice s.r.o.                                | Czech Republic | 100.00%                                         | -                                               |
| Art Office Gallery a.s.                             | Czech Republic | 100.00%                                         | 100.00%                                         |

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|                                                            |                |         |         |
|------------------------------------------------------------|----------------|---------|---------|
| Boryspil Project Management Ltd.                           | Ukraine        | 100.00% | 100.00% |
| BTC-Invest LLC                                             | Russia         | 100.00% | 100.00% |
| Bucca Properties Ltd.                                      | BVI            | 100.00% | 100.00% |
| Capellalaan B.V.                                           | Netherlands    | 100.00% | 100.00% |
| Celestial Holdings Group Ltd.                              | BVI            | 100.00% | 100.00% |
| City Tower a.s.                                            | Czech Republic | 100.00% | 100.00% |
| Dadrin Ltd.                                                | Cyprus         | 100.00% | 100.00% |
| De Reling (Dronten) B.V.                                   | Netherlands    | 100.00% | 100.00% |
| Donskoe LLC                                                | Russia         | 100.00% | 100.00% |
| Eusebius BS (Arnhem) B.V.                                  | Netherlands    | 100.00% | 100.00% |
| Fantom LLC                                                 | Russia         | 100.00% | 100.00% |
| Gen Office Gallery a.s.                                    | Czech Republic | 100.00% | 100.00% |
| German Properties B.V.                                     | Netherlands    | 100.00% | 100.00% |
| Glancus Investments Inc.                                   | BVI            | 100.00% | 100.00% |
| Gorod Molodovo Pokoleniya CJSC                             | Russia         | 73.00%  | 73.00%  |
| Hofplein Offices (Rotterdam) B.V.                          | Netherlands    | 100.00% | -       |
| In Vino LLC                                                | Russia         | 99.90%  | 99.90%  |
| In Vino Natukhaevskoe LLC                                  | Russia         | 64.94%  | 64.94%  |
| Intrust NN CJSC                                            | Russia         | 66.67%  | 66.67%  |
| Investitsionny Trust CJSC                                  | Russia         | 75.24%  | 75.24%  |
| ISK Klokovo LLC                                            | Russia         | 100.00% | 80.00%  |
| Johan H (Amsterdam) B.V.                                   | Netherlands    | 100.00% | 100.00% |
| Karperstraat (Amsterdam) B.V.                              | Netherlands    | 100.00% | 100.00% |
| Karta Realty Ltd.                                          | Cayman Islands | 60.07%  | 60.07%  |
| Kvartal Togliatti LLC                                      | Russia         | 100.00% | 100.00% |
| Langen Property B.V.                                       | Netherlands    | 100.00% | 100.00% |
| Logistics-A LLC                                            | Russia         | 100.00% | 100.00% |
| LvZH (Rijswijk) B.V.                                       | Netherlands    | 100.00% | 100.00% |
| Millennium Tower (Rotterdam) B.V.                          | Netherlands    | 100.00% | 100.00% |
| Mitino Sport City LLC                                      | Russia         | 100.00% | 80.00%  |
| Monheim Property B.V.                                      | Netherlands    | 100.00% | 100.00% |
| Monchyplein (Den Haag) B.V.                                | Netherlands    | 100.00% | 100.00% |
| Office Star Five spol. s r. o.                             | Czech Republic | 100.00% | 100.00% |
| Office Star Nine spol. s r. o.                             | Czech Republic | 100.00% | 100.00% |
| Office Star Two spol. s r. o.                              | Czech Republic | 100.00% | 100.00% |
| Pompenburg (Rotterdam) B.V.                                | Netherlands    | 100.00% | 100.00% |
| PPF Gate, a.s.                                             | Czech Republic | 100.00% | 100.00% |
| Retail Star 22, spol. s r.o.                               | Czech Republic | 100.00% | 100.00% |
| Roko LLC                                                   | Russia         | 100.00% | 100.00% |
| Ryazan Shopping Mall Ltd.                                  | Cyprus         | 100.00% | 100.00% |
| Skolkovo Gate LLC                                          | Russian        | 100.00% | -       |
| Slovak Trade Company, s.r.o.                               | Slovakia       | 57.50%  | 57.50%  |
| Spektr LLC                                                 | Russia         | 100.00% | 100.00% |
| Tanaina Holdings Ltd.                                      | Cyprus         | 100.00% | 100.00% |
| Telistan Ltd.                                              | Cyprus         | 99.90%  | -       |
| TK Lipetskiy LLC                                           | Russia         | 100.00% | 100.00% |
| Trigon Berlin B.V.                                         | Netherlands    | 100.00% | 100.00% |
| Velthemia Ltd.                                             | Cyprus         | 60.07%  | 60.07%  |
| Vítězné náměstí a.s.                                       | Czech Republic | 100.00% | 100.00% |
| Wilhelminaplein B.V.                                       | Netherlands    | 100.00% | 100.00% |
| Yugo-Vostochnaya promyshlennaya kompaniya "Kartontara" LLC | Russia         | 100.00% | 100.00% |
| Aranciata a.s.                                             | Czech Republic | -       | 100.00% |
| Longoria a.s.                                              | Czech Republic | -       | 100.00% |
| Midataner a.s.                                             | Czech Republic | -       | 100.00% |
| Retail Star 3, spol. s r.o.                                | Czech Republic | -       | 100.00% |
| <i>Real estate subgroup – associates</i>                   |                |         |         |
| Bohemia LLC                                                | Russia         | 35.00%  | 35.00%  |
| Circle Slovakia, s.r.o.                                    | Slovakia       | 24.50%  | 24.50%  |
| Flowermills Holding B.V.                                   | Netherlands    | 49,99%  | -       |

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|                                                     |                |         |         |
|-----------------------------------------------------|----------------|---------|---------|
| Gilbey Ltd.                                         | Cyprus         | 40.00%  | 40.00%  |
| Kendalside Ltd.                                     | United Kingdom | 49.00%  | 49.00%  |
| Komodor LLC                                         | Ukraine        | 40.00%  | 40.00%  |
| Marisana Enterprises Ltd.                           | Cyprus         | 49.99%  | -       |
| Moravia LLC                                         | Russia         | 35.00%  | 35.00%  |
| Sigurno Ltd.                                        | Cyprus         | 40.00%  | 40.00%  |
| Syner NN LLC                                        | Russia         | 35.00%  | 35.00%  |
| <i>Other significant subsidiaries</i>               |                |         |         |
| Anthiarose Ltd.                                     | Cyprus         | 100.00% | 100.00% |
| Bavella B.V.                                        | Netherlands    | 100.00% | 100.00% |
| Bestsport, a.s. (formerly Bestsport Arena)          | Czech Republic | 100.00% | 80.97%  |
| Bestsport Services, a.s. v likvidaci                | Czech Republic | 88.03%  | 82.89%  |
| Česká telekomunikační infrastruktura a.s. ("CETIN") | Czech Republic | 94.90%  | -       |
| Eldorado Licensing Ltd.                             | Cyprus         | 80.00%  | 100.00% |
| Eldorado LLC                                        | Russia         | 80.00%  | 100.00% |
| Facipero Investments Ltd.                           | Cyprus         | 80.00%  | 100.00% |
| Fodina B.V.                                         | Netherlands    | 100.00% | 100.00% |
| Invest-Realty LLC                                   | Russia         | 80.00%  | 100.00% |
| Lindus Services Ltd.                                | Cyprus         | 100.00% | 50.00%  |
| Moranda a.s.                                        | Czech Republic | 100.00% | 100.00% |
| O2 Czech Republic a.s.*                             | Czech Republic | 84.06%  | 84.61%  |
| O2 IT Services s.r.o. (formerly PPF IT Services)    | Czech Republic | 84.06%  | 99.99%  |
| O2 Slovakia, s.r.o.                                 | Slovakia       | 84.06%  | 84.61%  |
| Oribase Pharma SAS                                  | France         | 52.32%  | 52.43%  |
| PPF a.s.                                            | Czech Republic | 99.99%  | 99.99%  |
| PPF A3 B.V.                                         | Netherlands    | 100.00% | 100.00% |
| PPF Arena 1 B.V.                                    | Netherlands    | 100.00% | 100.00% |
| PPF Arena 2 B.V.                                    | Netherlands    | 100.00% | 100.00% |
| PPF Co1 B.V.                                        | Netherlands    | 100.00% | 100.00% |
| PPF Co3 B.V.                                        | Netherlands    | 100.00% | 100.00% |
| PPF Financial Holdings B.V.                         | Netherlands    | 100.00% | 100.00% |
| PPF Life Insurance LLC                              | Russia         | 100.00% | 100.00% |
| RAV Agro LLC                                        | Russia         | 100.00% | 100.00% |
| RAV Molokoproduct LLC                               | Russia         | 100.00% | 100.00% |
| Rentol LLC                                          | Russia         | 80.00%  | 100.00% |
| Sotio a.s.                                          | Czech Republic | 88.32%  | 84.64%  |
| Sotio Medical Research (Beijing) Co., Ltd.          | China          | 92.00%  | 92.00%  |
| Sotio N.V.                                          | Netherlands    | 92.00%  | 92.00%  |
| GIM Invest Co. Ltd                                  | Jersey         | -       | 100.00% |
| GIM Ltd.                                            | Jersey         | -       | 92.38%  |
| Maraflex s.r.o.                                     | Czech Republic | -       | 100.00% |
| <i>Other significant associates</i>                 |                |         |         |
| Polymetal International Plc**                       | Jersey         | 17.85%  | 18.42%  |
| Generali PPF Holding B.V.                           | Netherlands    | -       | 24.00%  |

\* Due to the existence of treasury shares held by O2 Czech Republic a.s. in 2014, the direct stake in the registered capital of this company was 83.16%.

\*\* This associate comprises a group of entities.

The principal place of business corresponds to the domicile of the respective entity with the following exceptions: Ryazan Shopping Mall Ltd. and Anthemona Ltd. have their place of business in Russia; Alrik Ventures Ltd., Dadrin Ltd. and Tanaina Holdings Ltd. in the UK; Langen Property B.V., Monheim Property B.V. and Trigon Berlin B.V. in Germany.

**B.2. Acquisitions and disposals through business combinations in 2015/2014****B.2.1. Sale of Generali PPF Holding in 2015**

On 8 January 2013, the Group, acting through its subsidiary PPF Co1 B.V., signed an agreement with Assicurazioni Generali for the future sale of its 49% stake in Generali PPF Holding B.V. ("GPH") through two partial disposals. On 28 March 2013, Assicurazioni Generali acquired a 25% shareholding in GPH, then held by the Group. At the same moment the Group repaid a 51% portion of the Calyon facility (a syndicated bank loan facility of MEUR 2,099 obtained in January 2008) in the amount of MEUR 1,071 and redeemed MEUR 192 of a MEUR 400 bond issued in November 2009.

On 16 January 2015, the Group sold its residual 24% shareholding in Generali PPF Holding B.V. for consideration of MEUR 1,246. At the same moment the outstanding amount of the Calyon facility (MEUR 1,028) and the bond notes (MEUR 208) were repaid. During 2015 (in January and June), the Group received dividend payments of MEUR 18, which are included in the net profit from the sale. The impact of the transaction on the 2015 income statements is as follows:

*In millions of EUR*

|                                                                     |       |
|---------------------------------------------------------------------|-------|
| Consideration                                                       | 1,246 |
| Carrying value of GPH stake as of 31 December 2014                  | 1,144 |
| Dividend received during 2015                                       | (18)  |
| Carrying value of GPH stake at disposal                             | 1,126 |
| AFS reserve (reclassified to the income statement)                  | 27    |
| Currency translation reserve (reclassified to the income statement) | (50)  |
| Net profit from the sale                                            | 97    |

**B.2.2. O2 Czech Republic – telecommunication business****B.2.2.1. Initial acquisition in 2014**

On 5 November 2013 the Group, acting through its subsidiary PPF Arena 2 B.V., signed an agreement with Telefónica S.A. for the purchase of a 65.93% stake in Telefónica Czech Republic, a.s. The acquiree was subsequently renamed O2 Czech Republic a.s. ("O2 CR"). O2 CR is a Czech publicly listed telecommunication company also operating in the Slovak Republic through its 100% subsidiary O2 Slovakia, s.r.o. (previously named Telefónica Slovakia, s.r.o.). The transaction, which was subject to approval by the European Commission, was concluded in January 2014. The following table shows the key non-financial parameters of the transaction:

|                                                                                       |                 |
|---------------------------------------------------------------------------------------|-----------------|
| Date of acquisition                                                                   | 28 January 2014 |
| Stake acquired (proportion of the registered capital)                                 | 65.93%          |
| Effective share of voting rights (after elimination of treasury shares held by O2 CR) | 67.09%          |

The Group financed the transaction partially through a syndicated loan facility provided by a consortium led by Société Générale (the "SG facility"), for more information refer to E.16. The SG facility also involved a loan commitment for the funding of the acquisition of shares through a mandatory tender offer ("MTO"). The MTO process was launched in June and additional shares were acquired in August 2014.

In the eleven months to 31 December 2014, the consolidated O2 CR contributed revenue of MEUR 1,488 and profit of MEUR 127 to the Group's results. If the acquisition had occurred

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on 1 January 2014, consolidated revenue would have been increased by MEUR 134 and profit by MEUR 11.

The following table provides a breakdown of the purchase price:

*In millions of EUR*

|                                           |                             |
|-------------------------------------------|-----------------------------|
| Initial instalment (paid in CZK and EUR)  | 1,969                       |
| Deferred instalments (to be paid in CZK)  | 379                         |
| Deferred period                           | 4 years/8 equal instalments |
| Net present value of deferred instalments | 357                         |
| Total purchase price                      | 2,326                       |

The Group incurred acquisition-related costs of approximately MEUR 2 in legal fees and due diligence costs. These costs were presented under professional service costs, mostly in the 2013 income statement.

In accordance with IFRS 3, the Group performed a purchase price allocation exercise (“PPA”) over its Czech and Slovak operations (two separate cash generating units) pro rata, based on the enterprise values of the individual units. Consequently, the acquired assets and assumed liabilities of the individual units were restated to their respective fair values. The difference between the allocated purchase price and the fair values of the assets and liabilities identified resulted in the recognition of goodwill.

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 28 January 2014*

|                                                    |              |
|----------------------------------------------------|--------------|
| <b>Fair value of assets</b>                        | <b>3,775</b> |
| Cash and cash equivalents                          | 157          |
| Investment securities                              | 1            |
| Loans due from non-banks                           | 1            |
| Trade and other receivables                        | 230          |
| Inventories                                        | 18           |
| Property, plant and equipment                      | 2,173        |
| <i>of which:</i>                                   |              |
| Land, buildings and construction                   | 336          |
| Ducts, cables and related plant                    | 1,441        |
| Telecommunication technology and related equipment | 348          |
| Other tangible assets                              | 48           |
| Intangible assets                                  | 1,136        |
| <i>of which:</i>                                   |              |
| Software                                           | 132          |
| Licences                                           | 397          |
| Customer relationship                              | 602          |
| Other intangibles assets                           | 5            |
| Other assets                                       | 44           |
| Deferred tax assets                                | 15           |

## **PPF Group N.V.**

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*In millions of EUR, as at 28 January 2014*

|                                               |              |
|-----------------------------------------------|--------------|
| <b>Fair value of liabilities</b>              | <b>1,072</b> |
| Due to banks and other financial institutions | 109          |
| Current tax liabilities                       | 9            |
| Trade and other payables                      | 574          |
| <i>of which:</i>                              |              |
| Trade payables                                | 504          |
| Deferred income                               | 34           |
| Wages and salaries                            | 19           |
| Social security and health insurance          | 7            |
| Other                                         | 10           |
| Provisions                                    | 1            |
| Deferred tax liabilities                      | 379          |
| <b>Fair value of identifiable net assets</b>  | <b>2,703</b> |

Trade receivables comprise gross contractual amounts due of MEUR 374, of which collection of MEUR 144 was expected to be doubtful at the acquisition date.

Goodwill arising from the acquisition has been recognised as follows:

*In millions of EUR*

|                                                           |        |
|-----------------------------------------------------------|--------|
| Total consideration                                       | 2,326  |
| Effective ownership (share of voting rights)              | 67.09% |
| Fair value of identifiable net assets                     | 2,703  |
| Net asset value attributable to non-controlling interests | (889)  |
| Goodwill                                                  | 512    |

Non-controlling interests are measured as a proportionate interest in the recognised amount of the identifiable net assets. The goodwill is attributable to the established position of O2 CR in the market, potential synergies with other Group operations affecting revenue growth and the assembled workforce. None of the goodwill recognised is expected to be deducted for tax purposes.

#### *B.2.2.2. Increase in shareholding in 2014 and 2015 (until 1 June 2015)*

On 2 June 2014 the Group, acting through its subsidiary PPF Arena 2 B.V., published a mandatory tender offer concerning the shares issued by O2 CR. The offer period ended on 30 June 2014. As a result of the MTO and later independent transactions, the Group (through its subsidiaries PPF Arena 2 B.V. and the newly established PPF A3 B.V.) acquired 54.4 million shares representing 17.53% of the voting rights in O2 CR (17.22% of the registered capital). The acquisitions occurred in the second half of 2014 and were financed by drawing down the SG facility and other banking facilities, as well as from own equity. The difference between the purchase price and the net asset value attributable to non-controlling interests acquired was recognised directly in equity.

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

*In millions of EUR*

|                                                                    |        |
|--------------------------------------------------------------------|--------|
| Total consideration (paid in cash)                                 | 538    |
| Effective ownership (share of voting rights)                       | 17.53% |
| Net asset value attributable to non-controlling interests acquired | (450)  |
| Effect recorded in retained earnings (decrease)                    | (88)   |

On 27 February 2015, the Company acquired an additional 362,000 O2 CR shares for MEUR 4 as a result of a voluntary offer made to individual O2 CR shareholders. The shares acquired represented 0.12% of effective voting rights.

*B.2.2.3. Business restructuring in 2015*

On 28 April 2015, the Annual General Meeting of O2 Czech Republic approved the company's demerger into O2 Czech Republic a.s. and Česká telekomunikační infrastruktura, a.s. ("CETIN"). The infrastructure part of the current business, including both the fixed and mobile networks, was spun-off to CETIN, while O2 CR remained a publicly listed operator providing voice, data and TV services. Having been approved by the court of registration, the demerger took effect as at 1 June 2015. The main business purpose of this step was to separate the telecommunication operator from the regulated infrastructure provider, which can then also offer its services to other clients on the market in a more efficient way. Since the demerger, O2 CR and CETIN have acted as two independent business partners with no benefits accruing from PPF Group's common control. The Group also ceased to apply its active shareholder role in O2 CR and considers its position to be that of a financial investor not interfering in the running of the company. Nevertheless, this has not curbed the Group's ability to control O2 CR, hence O2 CR is still fully consolidated in accordance with IFRS requirements.

The restructuring process has no impact on the Group's consolidated financial statements. As the whole telecommunication business was acquired in January 2014, the fair values of acquired assets and assumed liabilities were allocated to the respective entities and no revaluation was performed. Allocation of the initial goodwill between O2 CR and CETIN is described in section E.13.1.

*B.2.2.4. Increase in shareholding after the spin-off*

Since 1 June 2015, the Group has made several acquisition and sale transactions, on aggregate selling 2.1 million shares in O2 CR, which resulted in a net decrease of 0.67% in voting rights in O2 CR, and purchasing 31.5 million shares in CETIN, equal to 10.17% of voting rights in CETIN. The O2 CR shares were sold to increase the free float and support their market liquidity on the Prague Stock Exchange, which is in line with the Group strategy described above.

The following tables summarise the financial aspects of the transactions described above:

*In millions of EUR*

|                                                                |        |
|----------------------------------------------------------------|--------|
| Total net consideration received                               | 58     |
| Net effective ownership in O2 CR decreased                     | 0.67%  |
| Net asset value attributable to non-controlling interests sold | 6      |
| Effect recorded in retained earnings (gain)                    | 52     |
| Total consideration (paid in cash)                             | 205    |
| Effective ownership acquired in CETIN                          | 10.17% |
| Net asset attributable to non-controlling interests acquired   | (171)  |
| Effect recorded in retained earnings (decrease)                | (34)   |

**B.2.3. Acquisition of a 2% share in Home Credit and Air Bank**

On 17 June 2015, the Group acquired a 2% stake in Home Credit B.V. and Air Bank a.s. from former PPF Group shareholder Mr Šmejč's affiliate. The Group increased its shareholding in both companies from 86.62 to 88.62%. The difference between the purchase price and the net asset value attributable to non-controlling interests acquired was recognised directly in equity.

The following tables summarise the financial aspect of the transaction:

*In millions of EUR*

|                                                              |    |
|--------------------------------------------------------------|----|
| Consideration                                                | 74 |
| Effective ownership acquired in Home Credit                  | 2% |
| Net asset attributable to non-controlling interests acquired | 25 |
| Effect recorded in retained earnings (decrease)              | 49 |
| Consideration                                                | 4  |
| Effective ownership acquired in Air Bank                     | 2% |
| Net asset attributable to non-controlling interests acquired | 4  |
| Effect recorded in retained earnings                         | -  |

**B.2.4. Sale of a 20% share in Eldorado**

On 17 June 2015, the Group sold a 20% stake in Facipero Investments Ltd., the sole shareholder of Eldorado LLC, to Mr Šmejč's affiliate. The difference between the sale price and the net asset value attributable to non-controlling interests sold was recognised directly in equity.

The following table summarises the financial aspect of the transaction:

|                                                          |      |
|----------------------------------------------------------|------|
| Consideration                                            | 98   |
| Effective ownership sold                                 | 20%  |
| Net asset attributable to non-controlling interests sold | 21   |
| Currency translation reserve (attributable to NCI)       | (18) |
| Effect recorded in retained earnings (gain)              | 59   |

**B.2.5. New real estate projects (in 2015/2014)**

In July 2015, the Group acquired a 49.99% stake in entities holding two up-and-running Moscow office buildings (the Metropolis project). The investment is classified as associate.

During 2014, the Group acquired two significant real estate projects treated as business combinations. In the second acquisition, the Group gained control through its acquisition of a minority stake in a logistics project and changed the classification from associate to subsidiary. All acquisitions follow the Group's strategy of building a stable portfolio of office premises and warehouses.

The following table summarises the financial aspect of the transactions:

|                                          | Flowermills<br>Holding B.V.,<br>Marisana<br>Enterprises Ltd. | City Tower, a.s. | Investitsionny<br>Trust CJSC |
|------------------------------------------|--------------------------------------------------------------|------------------|------------------------------|
| Transaction date                         | July 2015                                                    | May 2014         | October 2014                 |
| Type of investment property              | 2 office buildings                                           | Office building  | Warehouse                    |
| Location                                 | Russia                                                       | Czech Republic   | Russia                       |
| Stake acquired                           | 49.99%                                                       | 100%             | 24.76%*                      |
| <i>In millions of EUR</i>                |                                                              |                  |                              |
| Purchase price (paid in cash)            | 37                                                           | 49               | 11                           |
| Fair value of assets acquired            | 360                                                          | 147              | 123                          |
| of which:                                |                                                              |                  |                              |
| Investment property                      | 339                                                          | 130              | 113                          |
| Fair value of liabilities acquired       | (285)                                                        | (89)             | (78)                         |
| Non-controlling interests at acquisition | -                                                            | -                | 14                           |
| Negative goodwill                        | -                                                            | 9                | -                            |

\*Increase to 75.24%

Negative goodwill was recognised within other income in the income statement.

#### **B.2.6. “O2 Arena” sports hall in Prague (in 2014)**

In 2013, the Group held a 50% stake in Lindus Services Ltd., the entity controlling Bestsport Arena a.s. (which owns and operates the “O2 Arena” sports hall in Prague) and Bestsport Services a.s. In October 2013, the Group agreed with, a joint venture partner, to acquire the remaining 50%. The transaction was concluded on 23 January 2014 on receipt of regulatory approval. Since then the Group has been the controlling shareholder of all three entities in question.

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

|                                                                                        |                 |
|----------------------------------------------------------------------------------------|-----------------|
| <i>In millions of EUR</i>                                                              |                 |
| Transaction date                                                                       | 23 January 2014 |
| Total purchase price (paid in cash)                                                    | 22              |
| Stake acquired (in Lindus Services Ltd.)                                               | 50%             |
| Fair value of assets acquired                                                          | 92              |
| Fair value of liabilities acquired                                                     | (61)            |
| Net asset value attributable to NCI (Bestsport Arena a.s. and Bestsport Services a.s.) | (23)            |
| Goodwill (fully impaired)                                                              | 18              |
| Gain on revaluation of previous 50% shareholding                                       | 4               |

#### **B.2.7. Sale of Energetický a průmyslový holding (in 2014)**

In the first half of 2014, the Group fully disposed of its 44.44% share in Energetický a průmyslový holding, a.s. (“EP Holding”) through two partial sales completed in February (4.44%) and June (40%). In addition, EP Holding fully repaid a MEUR 235 loan owed to the Group in January 2014.

The following table summarises the financial aspect of the transaction:

*In millions of EUR*

|                                                                 |                         |
|-----------------------------------------------------------------|-------------------------|
| Date of disposal                                                | 5 February/20 June 2014 |
| Equity stake sold                                               | 44.44%                  |
| Consideration                                                   | 1,080                   |
| Carrying value of associate at disposal                         | 653                     |
| AFS reserve (reclassified to income statement)                  | (1)                     |
| Currency translation reserve (reclassified to income statement) | (29)                    |
| Cash flow hedge reserve (reclassified to income statement)      | (35)                    |
| Net profit from the sale                                        | 362                     |
| Share of earnings in associates (in 2014 until disposal)        | 26                      |

### **B.3. Other changes**

#### **B.3.1. Change in shareholding structure of Air Bank**

On 30 June 2015, the Group and Mr Šmejč's affiliate (as the non-controlling shareholder) contributed their Air Bank shares to Home Credit B.V. Home Credit B.V. became the sole direct shareholder of Air Bank a.s. whereas the effective ownership of both ultimate shareholders did not change (88.62%/11.38%). The transaction has no impact on the Group's consolidated financial statements.

#### **B.3.2. Transfers of Home Credit Vietnam and China (in 2014)**

In September 2012, PPF Group N.V. and Home Credit B.V. entered into an agreement for the purchase and sale of 100% stakes in Home Credit Vietnam Finance Company Ltd. and Home Credit Consumer Finance China Ltd. The transfers to Home Credit B.V. were subject to several regulatory approvals, which were essential to conclude the two transactions. The regulatory approvals were obtained in July and August 2014, respectively. Since then, Home Credit B.V. has controlled both companies, with the Group's effective ownership decreasing to 86.62%.

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

*In millions of EUR*

|                                                                       |        |
|-----------------------------------------------------------------------|--------|
| <b>Home Credit Vietnam</b>                                            |        |
| Total consideration (paid in cash)                                    | 70     |
| Effective ownership indirectly lost                                   | 13.38% |
| Net asset value attributable to non-controlling interests at transfer | (7)    |
| <b>Home Credit China</b>                                              |        |
| Total consideration (paid in cash)                                    | 84     |
| Effective ownership indirectly lost                                   | 13.38% |
| Net asset value attributable to non-controlling interests at transfer | (5)    |

## **C. Risk exposures, risk management objectives and procedures**

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

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

The Home Credit subgroup, as the most significant part of the Group's financial operations, has established an Asset Liability Committee (ALCO) and a Credit Risk Department, which are responsible for developing and monitoring risk management policies in their specified areas. A similar structure is used by other Group banks – PPF banka a.s. and Air Bank a.s. O2 CR has its own separate unit called the Credit Management Unit.

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 changes 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 Company'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 Company by monitoring developments in foreign markets, using a robust investment decision-making process, and exercising prudence in liquidity management. The Company faces financial instrument risk in conjunction with credit exposures, movements in interest rates and foreign exchange rates.

Risk management policies at other significant 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 outstanding at the reporting date is described in the following sections of this note.

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

#### **C.1.1. Swaps**

Swaps are over-the-counter agreements between the Group and other parties to exchange future cash flows based upon agreed notional amounts. The swaps most commonly used by the Group are interest rate and 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 risk arising from default of the respective counterparties. Market risk arises from potentially unfavourable movements in interest rates relative to the rates set in the contract, or from movements in foreign exchange rates.

#### **C.1.2. Futures and forwards**

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

#### **C.1.3. Options**

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

**C.1.4. Other derivatives**

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

**C.2. Credit risk**

Credit risk is the risk of financial loss occurring 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. Other significant businesses affected by credit risk are retail banking (Air Bank), corporate banking (PPF banka) and telecommunication business (O2 CR).

**C.2.1. Home Credit Group**

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

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

- formulation, in consultation with the business, of credit policies concerning credit assessment, underwriting policies, collection policies, and risk reporting by business unit and loan class;
- establishment of an 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;
- review of business units' compliance with agreed exposure limits;
- provision of advice, guidance and specialist skills to business units to promote best practice throughout the Home Credit Group in the management of credit risk.

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

### Credit underwriting process

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

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

### Fraud prevention

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

### General loan collection

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

### Pre-collection measures

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

### Early collection

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

### Administrative and personal collection

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

Late collection

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

Legal collection, debt sale

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

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

The Board of Directors has delegated responsibility for the management of credit risk to its Credit Committee. A separate Credit Department, reporting to the Credit Committee, is responsible for oversight of the Bank's credit risk similar to the Home Credit Group procedures mentioned above, but with the following business specifics:

- limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances), and by issuer, credit rating band, market liquidity and country (for investment securities);
- developing and maintaining the Bank's grading in order to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures. The current risk grades are subject to regular reviews by the Bank's risk department;
- reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports are provided on the credit quality of local portfolios and appropriate corrective action is taken.

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.

**C.2.3. O2 CR**

For telecommunications, business credit risk is managed by the Credit Management Unit and is based on three main activities:

- monitoring of accounts receivable: regular monitoring of the payment morale of existing customers and monitoring and analysing of the receivable aging structure (internal and external indicators of any potential bad debts). Those activities are processed in the integrated system solution for the scoring, maintenance and collection of receivables;
- prevention: scoring of new customers – checking procedures (integrated Black List, Solus Debtor Register, other external information databases), limits and/or deposits applied based on the customer segments or the product. Credit limits for indirect sales partners (dealers, distributors, retailers, franchises) for the purchase of our products, collateral security (deposits, receivables insurance, bills of exchange, pledges of real estate, bank guarantees, etc.);

- collection process: Credit Management cooperates with Customer Care on the setting-up of a reasonable, effective and continual collection process. Collection process competences are divided. Collection from active customers is in the competence of Customer Care; subsequent collection (after the contract is cancelled) is the responsibility of Credit Management.

#### Loans with renegotiated terms and the Group's forbearance policy (applicable to PPF banka)

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 a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value.

The Group has implemented new forbearance methodology according to the EBA regulation. Exposures with forbearance are exposures where the debtor is considered unable to comply with the contract due to its 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. The 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 its 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.

#### Concentration of credit risks (applicable to PPF banka)

The concentration of credit risks arises as a result of the existence of loans with similar economic characteristics affecting the debtor's ability to meet its obligations. The Bank treats a receivable from a debtor or an economically connected group of debtors that exceeds 25% of the Bank's capital as a significant exposure. At the balance sheet date the Group did not have any significant concentration of credit risks with respect to any individual debtor and the limits were not exceeded in relation to individual debtors and to related parties.

**PPF Group N.V.***Notes to the consolidated financial statements for the year ended 31 December 2015*

The following tables show the economic and geographic concentration of credit risk:

*In millions of EUR, as at 31 December*

|                                                                       | 2015          | 2015           | 2014          | 2014           |
|-----------------------------------------------------------------------|---------------|----------------|---------------|----------------|
| <b><u>Economic concentration</u></b>                                  |               |                |               |                |
| Households/individuals                                                | 6,522         | 53.91%         | 6,703         | 55.59%         |
| Financial services                                                    | 1,485         | 12.27%         | 2,836         | 23.52%         |
| Public sector                                                         | 2,116         | 17.49%         | 1,081         | 8.97%          |
| Corporate sector                                                      | 1,577         | 13.03%         | 861           | 7.14%          |
| Construction and real estate                                          | 287           | 2.37%          | 292           | 2.42%          |
| Other                                                                 | 112           | 0.93%          | 284           | 2.36%          |
| <b>Total</b>                                                          | <b>12,099</b> | <b>100.00%</b> | <b>12,057</b> | <b>100.00%</b> |
| <b><u>Geographic concentration</u></b>                                |               |                |               |                |
| Russia                                                                | 3,130         | 25.87%         | 4,559         | 37.81%         |
| Czech Republic                                                        | 3,848         | 31.81%         | 3,962         | 32.87%         |
| China                                                                 | 2,320         | 19.18%         | 1,074         | 8.91%          |
| Slovak Republic                                                       | 745           | 6.16%          | 461           | 3.82%          |
| Kazakhstan                                                            | 280           | 2.31%          | 466           | 3.86%          |
| Cyprus                                                                | 413           | 3.41%          | 310           | 2.57%          |
| Vietnam                                                               | 286           | 2.36%          | 235           | 1.95%          |
| Netherlands                                                           | 109           | 0.90%          | 118           | 0.98%          |
| Other EU countries                                                    | 590           | 4.88%          | 610           | 5.06%          |
| Other                                                                 | 378           | 3.12%          | 262           | 2.17%          |
| <b>Total</b>                                                          | <b>12,099</b> | <b>100.00%</b> | <b>12,057</b> | <b>100.00%</b> |
| Of which:                                                             |               |                |               |                |
| Investment securities (except for equity securities)                  | 2,964         | 24.50%         | 2,672         | 22.16%         |
| Positive fair value of hedging derivatives                            | 96            | 0.79%          | 131           | 1.09%          |
| Loans and receivables due from banks and other financial institutions | 549           | 4.54%          | 695           | 5.76%          |
| Loans due from customers                                              | 7,153         | 59.12%         | 7,060         | 58.56%         |
| Trade and other receivables                                           | 432           | 3.57%          | 355           | 2.94%          |
| Loan commitments and guarantees                                       | 905           | 7.48%          | 1,144         | 9.49%          |

The amounts in the tables represent the maximum accounting loss that would be recognised at the reporting date if the counterparts failed completely to meet their obligations and any collateral or security proved to be of no value. The amounts, therefore, greatly exceed the expected losses, which are included in the allowance for uncollectibility. The table comprises off-balance sheet items (refer to E.37.1) and financial assets, except equity securities.

# PPF Group N.V.

## Notes to the consolidated financial statements for the year ended 31 December 2015

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

*In millions of EUR, as at 31 December*

|                              | Loans due from customers |              | Trade and other receivables |            |
|------------------------------|--------------------------|--------------|-----------------------------|------------|
|                              | 2015                     | 2014         | 2015                        | 2014       |
| <b>Individually impaired</b> |                          |              |                             |            |
| Gross amount                 | 268                      | 222          | 58                          | 102        |
| Allowance for impairment     | (79)                     | (85)         | (25)                        | (14)       |
| <b>Carrying amount</b>       | <b>189</b>               | <b>137</b>   | <b>33</b>                   | <b>88</b>  |
| <b>Collectively impaired</b> |                          |              |                             |            |
| Current                      | 5,597                    | 5,677        | -                           | -          |
| 1-90 days past due           | 389                      | 428          | -                           | -          |
| 91-365 past due              | 555                      | 899          | -                           | -          |
| >365 past due                | 128                      | 114          | -                           | -          |
| Gross amount                 | 6,669                    | 7,118        | -                           | -          |
| Allowance for impairment     | (788)                    | (1,101)      | -                           | -          |
| <b>Carrying amount</b>       | <b>5,881</b>             | <b>6,017</b> | <b>-</b>                    | <b>-</b>   |
| <b>Unimpaired</b>            |                          |              |                             |            |
| Current                      | 1 070                    | 906          | 371                         | 252        |
| 1-90 days past due           | 13                       | -            | 25                          | 14         |
| 91-365 past due              | -                        | -            | 3                           | 1          |
| <b>Carrying amount</b>       | <b>1,083</b>             | <b>906</b>   | <b>399</b>                  | <b>267</b> |
| <b>Total carrying amount</b> | <b>7,153</b>             | <b>7,060</b> | <b>432</b>                  | <b>355</b> |

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 activity. There are no overdue loans to banks.

All these transactions are conducted at arm's length.

The following table shows the fair value of collateral received in respect of loans and receivables:

*In millions of EUR, as at 31 December*

|                                        | Loans and receivables due from banks |            | Loans and receivables due from customers |            |
|----------------------------------------|--------------------------------------|------------|------------------------------------------|------------|
|                                        | 2015                                 | 2014       | 2015                                     | 2014       |
| Against individually impaired          | -                                    | -          | 93                                       | 34         |
| Property                               | -                                    | -          | 81                                       | 25         |
| Debt securities                        | -                                    | -          | 5                                        | 4          |
| Deposits with banks                    | -                                    | -          | 2                                        | 1          |
| Other                                  | -                                    | -          | 5                                        | 4          |
| Against collectively impaired          | -                                    | -          | 314                                      | 200        |
| Property                               | -                                    | -          | 314                                      | 199        |
| Other                                  | -                                    | -          | -                                        | 1          |
| Against neither past due nor impaired  | 161                                  | 328        | 446                                      | 511        |
| Securities received under reverse repo | 161                                  | 328        | 38                                       | 66         |
| Property                               | -                                    | -          | 108                                      | 111        |
| Debt securities                        | -                                    | -          | 21                                       | 23         |
| Equity securities                      | -                                    | -          | 262                                      | 162        |
| Deposits with banks                    | -                                    | -          | 6                                        | 3          |
| Other                                  | -                                    | -          | 11                                       | 146        |
| <b>Total collateral received</b>       | <b>161</b>                           | <b>328</b> | <b>853</b>                               | <b>745</b> |

The total value of assets held as collateral is MEUR 1,011 (2014: MEUR 1,012; refer to E.37.3) and consists of the collateral stated above (2015: MEUR 1,014; 2014: MEUR 1,073) less securities received under reverse repos that were repledged or sold in an amount of MEUR 68 (2014: MEUR 201), plus collateral received for the guarantees provided.

No collateral is held for trade and other receivables.

### **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 the 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 2015*

|                                                                          | Less than<br>3 months | Between<br>3 months<br>and 1 year | Between<br>1 and 5<br>years | More than<br>5 years | Non-<br>specified | Total         |
|--------------------------------------------------------------------------|-----------------------|-----------------------------------|-----------------------------|----------------------|-------------------|---------------|
| Cash and cash equivalents                                                | 2,732                 | -                                 | -                           | -                    | -                 | 2,732         |
| Investment securities                                                    | 139                   | 406                               | 951                         | 1,467                | 69                | 3,032         |
| Financial assets at FVTPL                                                | 17                    | 78                                | 368                         | 264                  | 12                | 739           |
| Financial assets AFS                                                     | 116                   | 328                               | 583                         | 1,203                | 57                | 2,287         |
| Financial assets HTM                                                     | 6                     | -                                 | -                           | -                    | -                 | 6             |
| Positive FV of hedging derivatives                                       | 96                    | -                                 | -                           | -                    | -                 | 96            |
| Loans and receivables due from<br>banks and other financial institutions | 357                   | 115                               | -                           | 12                   | 65                | 549           |
| Loans due from customers                                                 | 3,047                 | 1,783                             | 2,022                       | 301                  | -                 | 7,153         |
| Trade and other receivables                                              | 373                   | 40                                | 2                           | -                    | 17                | 432           |
| <b>Total financial assets</b>                                            | <b>6,744</b>          | <b>2,344</b>                      | <b>2,975</b>                | <b>1,780</b>         | <b>151</b>        | <b>13,994</b> |

# PPF Group N.V.

## Notes to the consolidated financial statements for the year ended 31 December 2015

*In millions of EUR, as at 31 December 2015*

|                                               | Less than<br>3 months | Between<br>3 months<br>and 1 year | Between<br>1 and 5<br>years | More than<br>5 years | Non-<br>specified | Total         |
|-----------------------------------------------|-----------------------|-----------------------------------|-----------------------------|----------------------|-------------------|---------------|
| Financial liabilities at FVTPL                | 7                     | 6                                 | 17                          | 260                  | 9                 | 299           |
| Due to non-banks                              | 5,261                 | 1,086                             | 409                         | -                    | -                 | 6,756         |
| Due to banks and other financial institutions | 1,014                 | 1,038                             | 2,101                       | 1,189                | -                 | 5,342         |
| Debt securities issued                        | 227                   | 711                               | 118                         | -                    | -                 | 1,056         |
| Subordinated liabilities                      | -                     | 8                                 | 275                         | 52                   | -                 | 335           |
| Trade and other payables                      | 1,132                 | 219                               | 29                          | 26                   | 30                | 1,436         |
| <b>Total financial liabilities</b>            | <b>7,641</b>          | <b>3,068</b>                      | <b>2,949</b>                | <b>1,527</b>         | <b>39</b>         | <b>15,224</b> |

|                                    |              |              |           |            |            |                |
|------------------------------------|--------------|--------------|-----------|------------|------------|----------------|
| <b>Net liquidity position 2015</b> | <b>(897)</b> | <b>(724)</b> | <b>26</b> | <b>253</b> | <b>112</b> | <b>(1,230)</b> |
|------------------------------------|--------------|--------------|-----------|------------|------------|----------------|

The negative excess of financial liabilities over financial assets reflects the fact that the Group financed the acquisition of its significant investments (O2 CR/CETIN, in 2014 Generali PPF Holding) and investment property using bank financing. 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 interval “Less than three months” within due to non-banks contains banking deposits, most of which are repayable on demand.

*In millions of EUR, as at 31 December 2014*

|                                                                       | Less than<br>3 months | Between<br>3 months<br>and 1 year | Between<br>1 and 5<br>years | More than<br>5 years | Non-<br>specified | Total         |
|-----------------------------------------------------------------------|-----------------------|-----------------------------------|-----------------------------|----------------------|-------------------|---------------|
| Cash and cash equivalents                                             | 2,148                 | -                                 | -                           | -                    | -                 | 2,148         |
| Investment securities                                                 | 447                   | 305                               | 639                         | 1,279                | 37                | 2,707         |
| Financial assets at FVTPL                                             | 56                    | 84                                | 309                         | 247                  | 1                 | 697           |
| Financial assets AFS                                                  | 375                   | 221                               | 330                         | 1,032                | 36                | 1,994         |
| Financial assets HTM                                                  | 16                    | -                                 | -                           | -                    | -                 | 16            |
| Positive FV of hedging derivatives                                    | -                     | 56                                | 75                          | -                    | -                 | 131           |
| Loans and receivables due from banks and other financial institutions | 539                   | 18                                | 1                           | 14                   | 123               | 695           |
| Loans due from customers                                              | 1,490                 | 2,532                             | 2,647                       | 391                  | -                 | 7,060         |
| Trade and other receivables                                           | 322                   | 22                                | -                           | 10                   | 1                 | 355           |
| <b>Total financial assets</b>                                         | <b>4,946</b>          | <b>2,933</b>                      | <b>3,362</b>                | <b>1,694</b>         | <b>161</b>        | <b>13,096</b> |

*In millions of EUR, as at 31 December 2014*

|                                               | Less than<br>3 months | Between<br>3 months<br>and 1 year | Between<br>1 and 5<br>years | More than<br>5 years | Non-<br>specified | Total         |
|-----------------------------------------------|-----------------------|-----------------------------------|-----------------------------|----------------------|-------------------|---------------|
| Financial liabilities at FVTPL                | 11                    | 16                                | 102                         | 124                  | 9                 | 262           |
| Due to non-banks                              | 4,636                 | 1,653                             | 298                         | -                    | -                 | 6,587         |
| Due to banks and other financial institutions | 1,990                 | 820                               | 2,164                       | 327                  | -                 | 5,301         |
| Debt securities issued                        | 164                   | 486                               | 427                         | -                    | -                 | 1,077         |
| Subordinated liabilities                      | -                     | 11                                | 491                         | -                    | -                 | 502           |
| Trade and other payables                      | 1,052                 | 330                               | 264                         | 24                   | 5                 | 1,675         |
| <b>Total financial liabilities</b>            | <b>7,853</b>          | <b>3,316</b>                      | <b>3,746</b>                | <b>475</b>           | <b>14</b>         | <b>15,404</b> |

|                                    |                |              |              |              |            |                |
|------------------------------------|----------------|--------------|--------------|--------------|------------|----------------|
| <b>Net liquidity position 2014</b> | <b>(2,907)</b> | <b>(383)</b> | <b>(384)</b> | <b>1,219</b> | <b>147</b> | <b>(2,308)</b> |
|------------------------------------|----------------|--------------|--------------|--------------|------------|----------------|

# PPF Group N.V.

## Notes to the consolidated financial statements for the year ended 31 December 2015

The interval “Less than three months” in 2014 contained the MEUR 1,028 Calyon facility and a MEUR 208 bond issue, which were repaid in January 2015 from proceeds from the sale of GPH.

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 2015*

|                                               | Less than<br>3 months | Between<br>3 months<br>and 1 year | Between<br>1 and 5<br>years | More than<br>5 years | Non-<br>specified | Total         |
|-----------------------------------------------|-----------------------|-----------------------------------|-----------------------------|----------------------|-------------------|---------------|
| Due to non-banks                              | 5,271                 | 1,140                             | 477                         | -                    | -                 | 6,888         |
| Due to banks and other financial institutions | 1,114                 | 1,191                             | 2,408                       | 1,249                | -                 | 5,962         |
| Debt securities issued                        | 230                   | 727                               | 151                         | -                    | -                 | 1,108         |
| Subordinated liabilities                      | -                     | 29                                | 334                         | 65                   | -                 | 428           |
| Trade and other payables                      | 1,132                 | 220                               | 30                          | 37                   | 30                | 1,449         |
| Loan commitments                              | 352                   | 18                                | 174                         | 15                   | 211               | 770           |
| Payment guarantees provided                   | 16                    | 5                                 | 26                          | 35                   | -                 | 82            |
| <b>Total</b>                                  | <b>8,115</b>          | <b>3,330</b>                      | <b>3,600</b>                | <b>1,401</b>         | <b>241</b>        | <b>16,687</b> |

*In millions of EUR, as at 31 December 2014*

|                                               | Less than<br>3 months | Between<br>3 months<br>and 1 year | Between<br>1 and 5<br>years | More than<br>5 years | Non-<br>specified | Total         |
|-----------------------------------------------|-----------------------|-----------------------------------|-----------------------------|----------------------|-------------------|---------------|
| Due to non-banks                              | 4,655                 | 1,739                             | 343                         | -                    | -                 | 6,737         |
| Due to banks and other financial institutions | 2,023                 | 914                               | 2,335                       | 359                  | -                 | 5,631         |
| Debt securities issued                        | 168                   | 519                               | 471                         | -                    | -                 | 1,158         |
| Subordinated liabilities                      | -                     | 49                                | 621                         | -                    | -                 | 670           |
| Trade and other payables                      | 1,052                 | 332                               | 280                         | 40                   | 6                 | 1,710         |
| Loan commitments                              | 353                   | 75                                | 77                          | 21                   | 281               | 807           |
| Payment guarantees provided                   | 30                    | 175                               | 36                          | 19                   | -                 | 260           |
| <b>Total</b>                                  | <b>8,281</b>          | <b>3,803</b>                      | <b>4,163</b>                | <b>439</b>           | <b>287</b>        | <b>16,973</b> |

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

*In millions of EUR, as at 31 December 2015*

|                                            | Less than 3<br>months | Between<br>3 months<br>and 1 year | Between<br>1 and 5<br>years | More than<br>5 years | Total      |
|--------------------------------------------|-----------------------|-----------------------------------|-----------------------------|----------------------|------------|
| <i>Outflows</i>                            |                       |                                   |                             |                      |            |
| Interest rate derivatives held for trading | (3)                   | (98)                              | (159)                       | (68)                 | (328)      |
| Currency derivatives held for trading      | (1,774)               | (519)                             | (2,039)                     | -                    | (4,332)    |
| Hedging derivatives                        | (89)                  | -                                 | -                           | -                    | (89)       |
| <i>Inflows</i>                             |                       |                                   |                             |                      |            |
| IR derivatives held for trading            | 3                     | 95                                | 153                         | 79                   | 330        |
| Currency derivatives held for trading      | 1,777                 | 519                               | 2,042                       | -                    | 4,338      |
| Hedging derivatives                        | 183                   | -                                 | -                           | -                    | 183        |
| <b>Net position</b>                        | <b>97</b>             | <b>(3)</b>                        | <b>(3)</b>                  | <b>11</b>            | <b>102</b> |

*In millions of EUR, as at 31 December 2014*

|                                            | Less than 3<br>months | Between<br>3 months<br>and 1 year | Between<br>1 and 5<br>years | More than<br>5 years | Total      |
|--------------------------------------------|-----------------------|-----------------------------------|-----------------------------|----------------------|------------|
| <i>Outflows</i>                            |                       |                                   |                             |                      |            |
| Interest rate derivatives held for trading | -                     | -                                 | (1)                         | (27)                 | (28)       |
| Currency derivatives held for trading      | (133)                 | (101)                             | (45)                        | -                    | (279)      |
| Hedging derivatives                        | (1)                   | -                                 | -                           | -                    | (1)        |
| <i>Inflows</i>                             |                       |                                   |                             |                      |            |
| IR derivatives held for trading            | 1                     | 7                                 | 4                           | 10                   | 22         |
| Currency derivatives held for trading      | 210                   | 137                               | 18                          | -                    | 365        |
| Hedging derivatives                        | -                     | 53                                | 85                          | -                    | 138        |
| <b>Net position</b>                        | <b>77</b>             | <b>96</b>                         | <b>61</b>                   | <b>(17)</b>          | <b>217</b> |

## **C.4. Market risk**

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

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

### **C.4.1. Interest rate risk**

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

Interest rate risk is managed principally by monitoring interest rate gaps and by having pre-approved limits for repricing bands. The Group's senior management monitors compliance with these limits. Interest rate derivatives (refer to E.2.2) are one of the tools the Group uses to manage this position.

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

The management of interest rate risk against interest rate gap limits is supplemented by monitoring of the sensitivity of the Group's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered include a 100-basis-point parallel fall or rise in all yield curves worldwide. In such a case, the net interest income for the year ended 31 December 2015 would be approximately MEUR 56 higher/lower (2014: MEUR 62).

# PPF Group N.V.

## Notes to the consolidated financial statements for the year ended 31 December 2015

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:

*In millions of EUR, as at 31 December 2015*

|                                                                          | Effective<br>interest<br>rate | Less<br>than 3<br>months | Between<br>3 months<br>and<br>1 year | Between<br>1 and 5<br>years | More<br>than 5<br>years | Non-<br>specified | Total         |
|--------------------------------------------------------------------------|-------------------------------|--------------------------|--------------------------------------|-----------------------------|-------------------------|-------------------|---------------|
| Cash and cash equivalents                                                | 0.5%                          | 2,732                    | -                                    | -                           | -                       | -                 | 2,732         |
| Investment securities                                                    | 2.1%                          | 269                      | 1,477                                | 789                         | 386                     | 111               | 3,032         |
| Financial assets at FVTPL                                                | 1.7%                          | 22                       | 69                                   | 337                         | 257                     | 54                | 739           |
| Financial assets AFS                                                     | 2.3%                          | 241                      | 1,408                                | 452                         | 129                     | 57                | 2,287         |
| Financial assets HTM                                                     | 8.1%                          | 6                        | -                                    | -                           | -                       | -                 | 6             |
| Positive FV of hedging derivatives                                       | -                             | -                        | -                                    | -                           | -                       | 96                | 96            |
| Loans and receivables due from<br>banks and other financial institutions | 3.7%                          | 372                      | 115                                  | -                           | 1                       | 61                | 549           |
| Loans due from customers                                                 | 30.7%                         | 3,477                    | 1,895                                | 1,674                       | 69                      | 38                | 7,153         |
| Trade and other receivables                                              | -                             | 373                      | 40                                   | 3                           | -                       | 16                | 432           |
| <b>Total financial assets</b>                                            | -                             | <b>7,223</b>             | <b>3,527</b>                         | <b>2,466</b>                | <b>456</b>              | <b>322</b>        | <b>13,994</b> |

*In millions of EUR, as at 31 December 2015*

|                                                  | Effective<br>interest<br>rate | Less<br>than 3<br>months | Between<br>3 months<br>and<br>1 year | Between<br>1 and 5<br>years | More<br>than 5<br>years | Non-<br>specified | Total         |
|--------------------------------------------------|-------------------------------|--------------------------|--------------------------------------|-----------------------------|-------------------------|-------------------|---------------|
| Financial liabilities at FVTPL                   | -                             | 12                       | 1                                    | 6                           | 244                     | 36                | 299           |
| Due to non-banks                                 | 5.0%                          | 5,261                    | 1,086                                | 409                         | -                       | -                 | 6,756         |
| Due to banks and other financial<br>institutions | 6.2%                          | 2,896                    | 1,402                                | 882                         | 162                     | -                 | 5,342         |
| Debt securities issued                           | 3.0%                          | 227                      | 711                                  | 118                         | -                       | -                 | 1,056         |
| Subordinated liabilities                         | 9.2%                          | -                        | 8                                    | 275                         | 52                      | -                 | 335           |
| Trade and other payables                         | -                             | 1,132                    | 219                                  | 29                          | 26                      | 30                | 1,436         |
| <b>Total financial liabilities</b>               | -                             | <b>9,528</b>             | <b>3,427</b>                         | <b>1,719</b>                | <b>484</b>              | <b>66</b>         | <b>15,224</b> |

|                          |  |                |            |            |             |            |                |
|--------------------------|--|----------------|------------|------------|-------------|------------|----------------|
| <b>Net position 2015</b> |  | <b>(2,305)</b> | <b>100</b> | <b>747</b> | <b>(28)</b> | <b>256</b> | <b>(1,230)</b> |
|--------------------------|--|----------------|------------|------------|-------------|------------|----------------|

## PPF Group N.V.

### Notes to the consolidated financial statements for the year ended 31 December 2015

*In millions of EUR, as at 31 December 2014*

|                                                                          | Effective<br>interest<br>rate | Less<br>than 3<br>months | Between<br>3 months<br>and<br>1 year | Between<br>1 and 5<br>years | More<br>than 5<br>years | Non-<br>specified | Total         |
|--------------------------------------------------------------------------|-------------------------------|--------------------------|--------------------------------------|-----------------------------|-------------------------|-------------------|---------------|
| Cash and cash equivalents                                                | 0.8%                          | 2,148                    | -                                    | -                           | -                       | -                 | 2,148         |
| Investment securities                                                    | 2.1%                          | 583                      | 1,208                                | 420                         | 250                     | 246               | 2,707         |
| Financial assets at FVTPL                                                | 3.6%                          | 10                       | 20                                   | 288                         | 213                     | 166               | 697           |
| Financial assets AFS                                                     | 1.9%                          | 557                      | 1,188                                | 132                         | 37                      | 80                | 1,994         |
| Financial assets HTM                                                     | 4.6%                          | 16                       | -                                    | -                           | -                       | -                 | 16            |
| Positive FV of hedging derivatives                                       | -                             | -                        | -                                    | -                           | -                       | 131               | 131           |
| Loans and receivables due from<br>banks and other financial institutions | 1.2%                          | 553                      | 18                                   | 1                           | -                       | 123               | 695           |
| Loans due from customers                                                 | 32.4%                         | 1,823                    | 2,623                                | 2,509                       | 101                     | 4                 | 7,060         |
| Trade and other receivables                                              | -                             | 322                      | 22                                   | -                           | 10                      | 1                 | 355           |
| <b>Total financial assets</b>                                            | <b>-</b>                      | <b>5,429</b>             | <b>3,871</b>                         | <b>2,930</b>                | <b>361</b>              | <b>505</b>        | <b>13,096</b> |

*In millions of EUR, as at 31 December 2014*

|                                                  | Effective<br>interest<br>rate | Less<br>than 3<br>months | Between<br>3 months<br>and<br>1 year | Between<br>1 and 5<br>years | More<br>than 5<br>years | Non-<br>specified | Total          |
|--------------------------------------------------|-------------------------------|--------------------------|--------------------------------------|-----------------------------|-------------------------|-------------------|----------------|
| Financial liabilities at FVTPL                   | 0.4%                          | 10                       | 9                                    | 91                          | 101                     | 51                | 262            |
| Negative FV of hedging derivatives               | -                             | -                        | -                                    | -                           | -                       | -                 | -              |
| Due to non-banks                                 | 5.2%                          | 4,636                    | 1,653                                | 298                         | -                       | -                 | 6,587          |
| Due to banks and other financial<br>institutions | 5.0%                          | 3,308                    | 1,045                                | 804                         | 144                     | -                 | 5,301          |
| Debt securities issued                           | 5.9%                          | 164                      | 486                                  | 427                         | -                       | -                 | 1,077          |
| Subordinated liabilities                         | 9.6%                          | -                        | 11                                   | 491                         | -                       | -                 | 502            |
| Trade and other payables                         | 0.5%                          | 1,052                    | 330                                  | 264                         | 24                      | 5                 | 1,675          |
| <b>Total financial liabilities</b>               |                               | <b>9,170</b>             | <b>3,534</b>                         | <b>2,375</b>                | <b>269</b>              | <b>56</b>         | <b>15,404</b>  |
| <b>Net position 2014</b>                         |                               | <b>(3,741)</b>           | <b>337</b>                           | <b>555</b>                  | <b>92</b>               | <b>449</b>        | <b>(2,308)</b> |

#### 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 European and Asian countries in which the Group operates. Its exposures are measured mainly in US dollars, Russian roubles, Czech crowns and Chinese yuan. As the currency in which the Group presents its consolidated financial

**PPF Group N.V.***Notes to the consolidated financial statements for the year ended 31 December 2015*

statements is the euro, movements in the exchange rates between these currencies and the euro affect the Group's consolidated financial statements.

In 2011-2014, the Belarusian ruble (BYR) was identified as the currency of a hyperinflationary economy. Since the Group has relatively limited exposure in BYR, the risk related to that currency's depreciation is considered not to be significant from the Group's perspective.

Net investments in foreign operations are not hedged. The Group's transactional exposures give rise to foreign currency gains and losses that are recognised in the income statement. These exposures comprise the monetary assets and monetary liabilities of the Group companies that are not denominated in the functional currency of the respective Group company. 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 also has investments in foreign operations whose net assets are exposed to foreign currency translation risk.

The following tables show the distribution of financial assets and liabilities among the main currencies (but do not include non-financial assets and liabilities):

*In millions of EUR, as at 31 December 2015*

|                                                                       | EUR          | USD        | CZK          | RUB          | CNY          | KZT        | Other      | Total         |
|-----------------------------------------------------------------------|--------------|------------|--------------|--------------|--------------|------------|------------|---------------|
| Cash and cash equivalents                                             | 201          | 93         | 1,749        | 301          | 314          | 6          | 68         | 2,732         |
| Investment securities                                                 | 382          | 319        | 2,047        | 284          | -            | -          | -          | 3,032         |
| Positive FV of hedging derivatives                                    | -            | -          | -            | 96           | -            | -          | -          | 96            |
| Loans and receivables due from banks and other financial institutions | 79           | 50         | 176          | 146          | 92           | 1          | 5          | 549           |
| Loans due from customers                                              | 780          | 418        | 998          | 2,054        | 2,219        | 260        | 424        | 7,153         |
| Trade and other receivables                                           | 122          | 30         | 198          | 62           | 7            | 2          | 11         | 432           |
| <b>Total financial assets</b>                                         | <b>1,564</b> | <b>910</b> | <b>5,168</b> | <b>2,943</b> | <b>2,632</b> | <b>269</b> | <b>508</b> | <b>13,994</b> |

*In millions of EUR, as at 31 December 2015*

|                                               | EUR          | USD          | CZK          | RUB          | CNY          | KZT        | Other      | Total         |
|-----------------------------------------------|--------------|--------------|--------------|--------------|--------------|------------|------------|---------------|
| Financial liabilities at FVTPL                | 9            | -            | 289          | -            | -            | -          | 1          | 299           |
| Due to non-banks                              | 587          | 361          | 3,620        | 2,048        | -            | 62         | 78         | 6,756         |
| Due to banks and other financial institutions | 764          | 550          | 1,906        | 99           | 1,848        | 4          | 171        | 5,342         |
| Debt securities issued                        | 9            | 4            | 855          | 99           | -            | 37         | 52         | 1,056         |
| Subordinated liabilities                      | -            | 243          | 83           | 9            | -            | -          | -          | 335           |
| Trade and other payables                      | 217          | 23           | 474          | 547          | 133          | 8          | 34         | 1,436         |
| <b>Total financial liabilities</b>            | <b>1,586</b> | <b>1,181</b> | <b>7,227</b> | <b>2,802</b> | <b>1,981</b> | <b>111</b> | <b>336</b> | <b>15,224</b> |

**Effect of foreign currency derivatives**

|                                      |              |              |                |              |            |             |             |                |
|--------------------------------------|--------------|--------------|----------------|--------------|------------|-------------|-------------|----------------|
|                                      | <b>(619)</b> | <b>109</b>   | <b>763</b>     | <b>(229)</b> | <b>71</b>  | <b>(18)</b> | <b>(61)</b> | <b>16</b>      |
| <b>Net foreign currency position</b> | <b>(641)</b> | <b>(162)</b> | <b>(1,296)</b> | <b>(88)</b>  | <b>722</b> | <b>140</b>  | <b>111</b>  | <b>(1,214)</b> |

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### Notes to the consolidated financial statements for the year ended 31 December 2015

*In millions of EUR, as at 31 December 2014*

|                                                                       | EUR          | USD        | CZK          | RUB          | CNY          | KZT        | Other      | Total         |
|-----------------------------------------------------------------------|--------------|------------|--------------|--------------|--------------|------------|------------|---------------|
| Cash and cash equivalents                                             | 111          | 114        | 1,157        | 438          | 264          | 10         | 54         | 2,148         |
| Investment securities                                                 | 223          | 274        | 2,029        | 178          | -            | 1          | 2          | 2,707         |
| Positive FV of hedging derivatives                                    | -            | -          | -            | 131          | -            | -          | -          | 131           |
| Loans and receivables due from banks and other financial institutions | 63           | 105        | 438          | 31           | 14           | -          | 44         | 695           |
| Loans due from customers                                              | 722          | 267        | 892          | 3,326        | 1,057        | 456        | 340        | 7,060         |
| Trade and other receivables                                           | 74           | 17         | 191          | 60           | 1            | 3          | 9          | 355           |
| <b>Total financial assets</b>                                         | <b>1,193</b> | <b>777</b> | <b>4,707</b> | <b>4,164</b> | <b>1,336</b> | <b>470</b> | <b>449</b> | <b>13,096</b> |

*In millions of EUR, as at 31 December 2014*

|                                               | EUR          | USD          | CZK          | RUB          | CNY        | KZT        | Other      | Total         |
|-----------------------------------------------|--------------|--------------|--------------|--------------|------------|------------|------------|---------------|
| Financial liabilities at FVTPL                | 10           | -            | 249          | 2            | -          | -          | 1          | 262           |
| Negative FV of hedging derivatives            | -            | -            | -            | -            | -          | -          | -          | -             |
| Due to non-banks                              | 287          | 379          | 3,349        | 2,354        | -          | 125        | 93         | 6,587         |
| Due to banks and other financial institutions | 1,638        | 517          | 1,898        | 406          | 706        | -          | 136        | 5,301         |
| Debt securities issued                        | 226          | 20           | 534          | 190          | -          | 62         | 45         | 1,077         |
| Subordinated liabilities                      | -            | 436          | 66           | -            | -          | -          | -          | 502           |
| Trade and other payables                      | 233          | 44           | 648          | 635          | 77         | 17         | 21         | 1,675         |
| <b>Total financial liabilities</b>            | <b>2,394</b> | <b>1,396</b> | <b>6,744</b> | <b>3,587</b> | <b>783</b> | <b>204</b> | <b>296</b> | <b>15,404</b> |

|                                               |             |            |            |              |          |              |           |           |
|-----------------------------------------------|-------------|------------|------------|--------------|----------|--------------|-----------|-----------|
| <b>Effect of foreign currency derivatives</b> | <b>(76)</b> | <b>525</b> | <b>273</b> | <b>(515)</b> | <b>-</b> | <b>(148)</b> | <b>19</b> | <b>78</b> |
|-----------------------------------------------|-------------|------------|------------|--------------|----------|--------------|-----------|-----------|

|                                      |                |             |                |           |            |            |            |                |
|--------------------------------------|----------------|-------------|----------------|-----------|------------|------------|------------|----------------|
| <b>Net foreign currency position</b> | <b>(1,277)</b> | <b>(94)</b> | <b>(1,764)</b> | <b>62</b> | <b>553</b> | <b>118</b> | <b>172</b> | <b>(2,230)</b> |
|--------------------------------------|----------------|-------------|----------------|-----------|------------|------------|------------|----------------|

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 2015 and 2014 and a simplified scenario of a 5% change in USD, CZK, RUB, CNY and KZT to EUR exchange rates:

*In millions of EUR, as at 31 December 2015*

|                                                | USD | CZK   | RUB  | CNY  | KZT |
|------------------------------------------------|-----|-------|------|------|-----|
| Effect of 5% currency depreciation against EUR | (9) | (114) | (76) | (36) | (8) |
| Effect of 5% currency appreciation against EUR | 9   | 114   | 76   | 36   | 8   |

*In millions of EUR, as at 31 December 2014*

|                                                | USD  | CZK  | RUB  | CNY  | KZT |
|------------------------------------------------|------|------|------|------|-----|
| Effect of 5% currency depreciation against EUR | (16) | (75) | (73) | (28) | (6) |
| Effect of 5% currency appreciation against EUR | 16   | 75   | 73   | 28   | 6   |

#### C.4.4. Hedging

The Group uses derivative financial instruments to manage the potential earnings impact of interest rate and foreign currency movements. Several types of derivative financial instruments are used for this purpose, including interest rate swaps and currency swaps, options, forward contracts and other derivatives. The purpose of the Group's 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.

### **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 Company 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.

As of 31 December 2015, the mathematical provision for products with guaranteed interest of 4% amounted to MEUR 16 (2014: MEUR 20); for products with 3% guaranteed interest it was MEUR 49 (2014: MEUR 44).

For the quantitative analysis of the underwriting risk under life insurance agreements, the Group performs analyses of the sensitivity of life insurance reserves to changes in several variables having the most significant impact on reserves value. The sensitivity analysis shows the impact on life insurance reserves of a change in one variable, while all other assumptions are kept constant. This analysis is used by the Group in order to make management decisions regarding different measures, such as cost cutting, the improvement of lapse rates and the revision of insurance tariffs.

Life insurance reserve sensitivity analysis shows the following results as of the reporting date:

Mortality – increase by 10% – 0.1% increase in life insurance reserves

Mortality – decrease by 10% – no changes in life insurance reserves

Morbidity – increase by 10% – 0.2% increase in life insurance reserves

Morbidity – decrease by 10% – 0.2% decrease in life insurance reserves

Technical interest rate – increase by 1% – 4.0% decrease in life insurance reserves

Technical interest rate – decrease by 1% – 6.3% increase in life insurance reserves

As regards the lapse rate, a reduction may have either a positive or a negative effect on insurance reserves. Whether the effect is positive or negative depends primarily on the amount of fines imposed for early lapse of the contract, and this depends on several factors such as contract duration and other terms of the contract.

#### Key assumptions

One of the basic assumptions used to calculate insurance tariffs is the mortality table. The mortality tables used by the Company reflect experience of previous years as well as a prudential margin. The mortality tables are reviewed on a regular basis by taking into consideration factors such as gender, age, the sum insured, etc. A particular emphasis is placed on the underwriting process. As a part of the underwriting process, the Group has developed procedures, limits, instructions, manuals and forms. In order to mitigate the Group's exposure to mortality and morbidity risks, the Group has also entered into a surplus reinsurance agreement.

#### **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 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 and underwriting policies. The Group also uses reinsurance contracts as a part of its risk management programme. The Group uses quota reinsurance for its higher-risk products.

Reserve deficiency risk arises from uncertainty regarding the future development of loss reserves and takes into account the likelihood that insurance reserves are insufficient to meet the Group's obligations to policyholders. This risk is managed by regularly checking the adequacy of loss reserves and conducting loss analyses of insurance products, including the analysis of the sensitivity of insurance reserves to changes in expected insurance contract loss rates. The Group analyses its assumptions against publicly available market data. The uncertainty associated with the analysis of incurred but not reported (IBNR) provisions is greater than that of the reported but not settled (RBNS) analysis. The identification of claims generated by the Group's insurance portfolio is of a short-term nature. Therefore, most claims are settled within one year of the loss incident. Refer to section E.19.1 for quantitative information related to insurance provision.

## ***C.6. Risks specific to real estate business***

### **C.6.1. Concentration risk**

Several years ago the Group might have been exposed to a geographical asset concentration risk ensuing predominantly from its primary focus on the Russian and Czech real estate markets. In 2012 the real estate group started to invest in new geographic areas - the Netherlands and Germany - which led to better geographic diversification. The potential concentration risk is also managed through: careful selection of real estate projects; their segmentation into retail, logistics and office real estate projects; and internal project management controls.

### **C.6.2. Valuation risk**

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

### **C.6.3. Occupancy risk**

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

## ***C.7. Fair value of financial assets and liabilities***

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

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

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

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

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

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

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

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

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

# PPF Group N.V.

## Notes to the consolidated financial statements for the year ended 31 December 2015

*In millions of EUR, as at 31 December 2015*

|                                                                       | Carrying amount | Fair value | Level 1 | Level 2 | Level 3 |
|-----------------------------------------------------------------------|-----------------|------------|---------|---------|---------|
| Financial assets held to maturity                                     | 6               | 6          | -       | 6       | -       |
| Loans and receivables due from banks and other financial institutions | 549             | 549        | -       | 549     | -       |
| Loans due from customers                                              | 7,153           | 7,130      | -       | 617     | 6,513   |
| Due to non-banks                                                      | (6,756)         | (6,773)    | -       | (6,773) | -       |
| Due to banks and other financial institutions                         | (5,342)         | (5,344)    | -       | (5,344) | -       |
| Debt securities issued                                                | (1,056)         | (1,052)    | (99)    | (953)   | -       |
| Subordinated liabilities                                              | (335)           | (338)      | (243)   | (95)    | -       |

*In millions of EUR, as at 31 December 2014*

|                                                                       | Carrying amount | Fair value | Level 1 | Level 2 | Level 3 |
|-----------------------------------------------------------------------|-----------------|------------|---------|---------|---------|
| Financial assets held to maturity                                     | 16              | 16         | 16      | -       | -       |
| Loans and receivables due from banks and other financial institutions | 695             | 695        | -       | 695     | -       |
| Loans due from customers                                              | 7,060           | 6,813      | -       | 555     | 6,258   |
| Due to non-banks                                                      | (6,587)         | (6,526)    | -       | (6,526) | -       |
| Due to banks and other financial institutions                         | (5,301)         | (5,301)    | -       | (5,301) | -       |
| Debt securities issued                                                | (1,077)         | (1,133)    | (116)   | (1,017) | -       |
| Subordinated liabilities                                              | (502)           | (379)      | (313)   | (66)    | -       |

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

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

*In millions of EUR, as at 31 December 2015*

|                                    | Level 1      | Level 2    | Level 3    | Total        |
|------------------------------------|--------------|------------|------------|--------------|
| Financial assets at FVTPL          | 559          | 105        | 75         | 739          |
| Financial assets AFS               | 2,059        | 144        | 84         | 2,287        |
| Positive FV of hedging derivatives | -            | 96         | -          | 96           |
| Financial liabilities at FVTPL     | (254)        | (36)       | (9)        | (299)        |
| <b>Total</b>                       | <b>2,364</b> | <b>309</b> | <b>150</b> | <b>2,823</b> |

*In millions of EUR, as at 31 December 2014*

|                                    | Level 1      | Level 2    | Level 3   | Total        |
|------------------------------------|--------------|------------|-----------|--------------|
| Financial assets at FVTPL          | 545          | 148        | 4         | 697          |
| Financial assets AFS               | 1,622        | 310        | 62        | 1,994        |
| Positive FV of hedging derivatives | -            | 131        | -         | 131          |
| Financial liabilities at FVTPL     | (202)        | (51)       | (9)       | (262)        |
| <b>Total</b>                       | <b>1,965</b> | <b>538</b> | <b>57</b> | <b>2,560</b> |

**PPF Group N.V.***Notes to the consolidated financial statements for the year ended 31 December 2015*

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

*In millions of EUR, for the year ended 31 December 2015*

|                                                                                                   | Financial<br>assets at<br>FVTPL | Financial<br>assets<br>AFS | Financial<br>liabilities<br>FVTPL | Total      |
|---------------------------------------------------------------------------------------------------|---------------------------------|----------------------------|-----------------------------------|------------|
| Balance at 1 January                                                                              | 4                               | 62                         | (9)                               | 57         |
| Net gains/(losses) recorded in profit or loss (included in "Net gain/(loss) on financial assets") | (3)                             | -                          | 1                                 | (2)        |
| Purchases of financial assets                                                                     | 77                              | 75                         | -                                 | 152        |
| Additions of financial liabilities                                                                | -                               | -                          | (1)                               | (1)        |
| Settlements                                                                                       | (3)                             | -                          | -                                 | (3)        |
| Transfer out of Level 3                                                                           | -                               | (53)                       | -                                 | (53)       |
| <b>Balance at 31 December 2015</b>                                                                | <b>75</b>                       | <b>84</b>                  | <b>(9)</b>                        | <b>150</b> |

In 2015, certain available-for-sale assets were transferred out of Level 3 of the fair value hierarchy due to a change in the valuation model, where significant inputs used in their fair value measurements, such as certain credit spreads, that were not previously used, are observable.

*In millions of EUR, for the year ended 31 December 2014*

|                                                                                                   | Financial<br>assets at<br>FVTPL | Financial<br>assets<br>AFS | Financial<br>liabilities<br>FVTPL | Total     |
|---------------------------------------------------------------------------------------------------|---------------------------------|----------------------------|-----------------------------------|-----------|
| Balance at 1 January                                                                              | 27                              | 100                        | (12)                              | 115       |
| Net gains/(losses) recorded in profit or loss (included in "Net gain/(loss) on financial assets") | 15                              | 1                          | 4                                 | 20        |
| Net gains/(losses) recorded in other comprehensive income                                         | (1)                             | (3)                        | -                                 | (4)       |
| Purchases of financial assets                                                                     | 2                               | 31                         | -                                 | 33        |
| Additions of financial liabilities                                                                | -                               | -                          | (1)                               | (1)       |
| Settlements                                                                                       | (39)                            | (67)                       | -                                 | (106)     |
| <b>Balance at 31 December 2014</b>                                                                | <b>4</b>                        | <b>62</b>                  | <b>(9)</b>                        | <b>57</b> |

The financial assets at fair value through profit or loss presented in Level 3 above include corporate bonds of MEUR 75 (2014: positive fair values of currency derivatives in BYR of MEUR 2 and interest rate derivatives in KZT of MEUR 1). The fair value of debt securities is sensitive to market interest rates. The fair value of the derivative instruments is sensitive to changes in the BYR/EUR foreign currency exchange rate and to changes in interest rates. The effect of a +/-10% change in the BYR/EUR rate on the positive fair value of derivative instruments in 2014 was MEUR 4/(4).

The financial assets available for sale presented in Level 3 consist of debt securities of MEUR 76 (2014: MEUR 33) and equity securities of MEUR 8 (2014: MEUR 29). The fair value of debt securities is sensitive to market interest rates. The fair value of equity securities is sensitive to economic developments at the businesses in question.

**C.8. Offsetting financial assets and liabilities**

The Group's derivative transactions are predominantly entered into under International Derivative Swaps and Dealers Association 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, for example 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.

International Derivative Swaps and Dealers Association Master Netting Agreements and similar master netting arrangements do not meet the criteria for offsetting in the consolidated statement of the financial position. Therefore, as at 31 December 2015 the reported balances of positive and negative fair values of derivatives do not include any amounts offset.

Loans and advances provided and received under repo operations are covered by Global Master Repurchase Agreements and similar agreements with terms similar to those of International Derivative Swaps and Dealers Association Master Netting Agreements.

Those agreements do not meet the criteria for offsetting in the consolidated statement of the financial position. Therefore, as at 31 December 2015 the reported balances of loans and advances provided under repo operations do not include any amounts offset. The remaining balances of liabilities due from banks and non-banks are not subject to any offsetting arrangements.

**C.9. Capital management**

In January 2015, following the Generali PPF Holding divestment, the Group ceased to be a financial conglomerate and became a mixed holding company. As such, the Group is no longer subject to supplementary prudential rules applicable to financial conglomerates.

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

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

The Subgroup also monitors and maintains other regulatory limits such as large exposure limits and the liquidity coverage ratio. The Subgroup further monitors the leverage ratio and net stable funding ratio.

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

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

*In millions of EUR, as at 31 December 2015*

|                                            |              |
|--------------------------------------------|--------------|
| Issued capital                             | 0.05         |
| Share premium                              | 1,888        |
| Retained earnings                          | (168)        |
| Accumulated other comprehensive income     | (129)        |
| Other reserves                             | 50           |
| Minority interest on CET 1                 | 13           |
| (-) Additional valuation adjustment        | (3)          |
| (-) Intangible assets                      | (126)        |
| (-) Deferred tax assets carry loss forward | (43)         |
| <b>Total Tier 1 Capital</b>                | <b>1,482</b> |
| <b>Total Tier 2 Capital</b>                | <b>21</b>    |
| <b>Total Capital</b>                       | <b>1,503</b> |

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

Tier 2 capital consists only of the eligible portion of Tier 2 instruments issued by PPF banka and Air Bank.

Some of the Group’s subsidiaries operating in the banking, consumer finance and insurance sectors maintain capital adequacy in compliance with local regulatory requirements which require 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 financial statements prepared in accordance with local accounting standards. Furthermore, some of the subsidiaries are subject to capital adequacy requirements set by the Bank for International Settlements in connection with commitments arising from funding operations. The Group’s policy in this respect is to support the subsidiaries with capital as necessary in order to maintain the subsidiaries’ full compliance with the relevant requirements.

The Group and its individually regulated operations complied with all externally imposed capital requirements throughout the reporting period.

## D. Segment reporting

The Group recognises reportable segments that are defined in both geographical and sector terms. These segments offer different products and services, and are managed separately because they operate in completely distinct business sectors. The Group's Board of Directors and shareholders (the Chief Operating Decision Maker) review the internal management reports of individual segments on a regular basis.

The following summary describes the operations and geographic focus of each reportable segment.

| Reportable segment | Business name/brand                    | Operations                                                                                         | Geographic focus                              |
|--------------------|----------------------------------------|----------------------------------------------------------------------------------------------------|-----------------------------------------------|
| Consumer finance   | Home Credit                            | Lending to private individual customers, deposit-taking                                            | Czech Republic, Slovak Republic, Russia, Asia |
|                    | subsidiaries of PPF banka and Air Bank | Lending to private individual customers                                                            | Czech Republic, Slovak Republic, Russia       |
| Other banking      | PPF banka                              | Loans, deposits and other transactions and balances with corporate customers, trading activities   | Czech Republic                                |
|                    | Air Bank                               | Deposits, loans and other transactions and balances with retail customers                          | Czech Republic                                |
| Real estate        | PPF Real Estate Holding                | Developing, investing and professional consulting in the property sector                           | Central and Western Europe, Russia, Ukraine   |
| Retail             | Eldorado                               | Retailing in consumer electronic and domestic appliances                                           | Russia                                        |
| Telecommunications | O2                                     | Telecommunication operator providing a range of voice and data services (CZ), mobile operator (SK) | Czech Republic, Slovak Republic               |
|                    | CETIN                                  | Administration and operation of data and communication network                                     | Czech Republic                                |
| Insurance          | PPF Insurance                          | Provision of life insurance products                                                               | Russia                                        |
|                    | Generali PPF Holding (sold in 2015)    | Provision of life and non-life insurance products                                                  | Central and Eastern Europe                    |
| Other              | Polymetal (associate)                  | Gold and silver mining                                                                             | Russia, Kazakhstan                            |
|                    | RAV Holding                            | Grain and livestock production, storage and trade                                                  | Russia                                        |
|                    | Sotio                                  | Development of new medical therapies, focusing on the treatment of cancer and autoimmune diseases  | Czech Republic, USA, China                    |
|                    | O2 Arena                               | Operation of multipurpose hall hosting mainly sports and cultural events                           | Czech Republic                                |

Since 30 June 2015, Air Bank has legally been part of the Home Credit Group (refer to B.3.1), but continues to be presented within the other banking segment together with PPF banka. Subsidiaries of both banks are now included in the consumer finance segment, based on their geographical focus. The comparative figures have been restated accordingly.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Inter-segment pricing is determined on an arm's length basis. Segment assets and liabilities include all assets and liabilities attributable to segments.

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Significant non-cash expenses comprise mainly impairment losses on financial and non-financial assets. Eliminations represent intercompany balances among individual reporting segments.

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

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

|                                              | 2015         | 2014         |
|----------------------------------------------|--------------|--------------|
| Interest income                              | 2,083        | 2,470        |
| Fee and commission income                    | 437          | 560          |
| Net earned premiums                          | 147          | 241          |
| Net rental and related income                | 147          | 89           |
| Net income related to construction contracts | 2            | -            |
| Sales of goods                               | 1,415        | 2,111        |
| Other income from retail operations          | 33           | 47           |
| Revenues from telecommunication business     | 1,670        | 1,488        |
| Net agriculture income                       | 7            | 1            |
| <b>Total revenue from external customers</b> | <b>5,941</b> | <b>7,007</b> |

The following table shows the main items from the financial statements broken down according to reportable segments for 2015 and 2014:

# PPF Group N.V.

Notes to the consolidated financial statements for the year ended 31 December 2015

*In millions of EUR*

| 2015                                            | Consumer<br>finance | Other<br>banking | Real estate | Retail       | Insurance  | Telecommu-<br>nications | Other      | Unallocated  | Eliminations | Consolidated  |
|-------------------------------------------------|---------------------|------------------|-------------|--------------|------------|-------------------------|------------|--------------|--------------|---------------|
| Revenue from external customers                 | 2,418               | 112              | 154         | 1,465        | 98         | 1,671                   | 9          | 14           | -            | 5,941         |
| Inter-segment revenue                           | 10                  | 77               | 1           | 13           | 3          | 10                      | -          | 36           | (150)        | -             |
| <b>Total revenue from continuing operations</b> | <b>2,428</b>        | <b>189</b>       | <b>155</b>  | <b>1,478</b> | <b>101</b> | <b>1,681</b>            | <b>9</b>   | <b>50</b>    | <b>(150)</b> | <b>5,941</b>  |
| Segment share of earnings of associates         | 2                   | -                | 53          | -            | -          | -                       | 38         | -            | -            | 93            |
| <b>Net profit from continuing operations</b>    | <b>(46)</b>         | <b>41</b>        | <b>40</b>   | <b>48</b>    | <b>98</b>  | <b>224</b>              | <b>36</b>  | <b>(89)</b>  | <b>-</b>     | <b>352</b>    |
| <b>Net profit for the year</b>                  |                     |                  |             |              |            |                         |            |              |              | <b>352</b>    |
| Capital expenditure                             | (106)               | (12)             | (1)         | (27)         | -          | (236)                   | (33)       | (1)          | 26           | (390)         |
| Depreciation and amortisation                   | (76)                | (8)              | (2)         | (21)         | (3)        | (369)                   | (5)        | (1)          | 1            | (484)         |
| Other significant non-cash expenses             | (770)               | 8                | (5)         | 19           | -          | (3)                     | (3)        | -            | -            | (754)         |
| Segment assets                                  | 7,654               | 6,591            | 1,938       | 889          | 147        | 5,244                   | 466        | 1,637        | (3,572)      | 20,994        |
| Investments in associates                       | 2                   | -                | 47          | -            | -          | 2                       | 566        | -            | -            | 617           |
| <b>Total assets</b>                             |                     |                  |             |              |            |                         |            |              |              | <b>21,611</b> |
| Segment liabilities                             | 6,650               | 6,141            | 1,534       | 661          | 120        | 1,993                   | 315        | 2,074        | (3,557)      | 15,931        |
| <b>Total liabilities</b>                        |                     |                  |             |              |            |                         |            |              |              | <b>15,931</b> |
| <b>Segment equity</b>                           | <b>1,006</b>        | <b>450</b>       | <b>451</b>  | <b>228</b>   | <b>27</b>  | <b>3,253</b>            | <b>717</b> | <b>(437)</b> | <b>(15)</b>  | <b>5,680</b>  |

*In millions of EUR*

| 2014                                            | Consumer<br>finance | Other<br>banking | Real estate | Retail       | Insurance    | Telecommu-<br>nications | Other      | Unallocated    | Eliminations | Consolidated  |
|-------------------------------------------------|---------------------|------------------|-------------|--------------|--------------|-------------------------|------------|----------------|--------------|---------------|
| Revenue from external customers                 | 2,970               | 103              | 91          | 2,170        | 164          | 1,488                   | 4          | 17             | -            | 7,007         |
| Inter-segment revenue                           | 3                   | 99               | 1           | 14           | 3            | 2                       | 2          | 84             | (208)        | -             |
| <b>Total revenue from continuing operations</b> | <b>2,973</b>        | <b>202</b>       | <b>92</b>   | <b>2,184</b> | <b>167</b>   | <b>1,490</b>            | <b>6</b>   | <b>101</b>     | <b>(208)</b> | <b>7,007</b>  |
| Segment share of earnings of associates         | 2                   | -                | (1)         | -            | -            | -                       | 16         | -              | -            | 17            |
| <b>Net profit from continuing operations</b>    | <b>(25)</b>         | <b>36</b>        | <b>(98)</b> | <b>34</b>    | <b>5</b>     | <b>127</b>              | <b>335</b> | <b>(48)</b>    | <b>6</b>     | <b>372</b>    |
| <b>Net profit for the year</b>                  |                     |                  |             |              |              |                         |            |                |              | <b>372</b>    |
| Capital expenditure                             | (102)               | (10)             | -           | (25)         | -            | (264)                   | (26)       | (4)            | 29           | (402)         |
| Depreciation and amortisation                   | (81)                | (7)              | (2)         | (29)         | (6)          | (371)                   | (5)        | (1)            | 1            | (501)         |
| Other significant non-cash expenses             | (1,264)             | (30)             | (2)         | (6)          | -            | (8)                     | (19)       | -              | -            | (1,329)       |
| Segment assets                                  | 7,849               | 6,044            | 1,911       | 847          | 1,341        | 4,105                   | 274        | 2,180          | (3,235)      | 21,316        |
| Investments in associates                       | 2                   | -                | -           | -            | -            | 1                       | 574        | -              | -            | 577           |
| <b>Total assets</b>                             |                     |                  |             |              |              |                         |            |                |              | <b>21,893</b> |
| Segment liabilities                             | 6,696               | 5,676            | 1,551       | 846          | 175          | 1,000                   | 189        | 3,309          | (3,243)      | 16,199        |
| <b>Total liabilities</b>                        |                     |                  |             |              |              |                         |            |                |              | <b>16,199</b> |
| <b>Segment equity</b>                           | <b>1,155</b>        | <b>368</b>       | <b>360</b>  | <b>1</b>     | <b>1,166</b> | <b>3,106</b>            | <b>659</b> | <b>(1,129)</b> | <b>8</b>     | <b>5,694</b>  |

### **D.1. Consumer finance segment**

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

India became a new geographical segment in 2015 following the growth and increasing significance of the Group's operations in the Indian market. Related information is therefore presented separately. In 2014 it was included in the "Other" segment. Comparative figures for 2014 were restated accordingly.

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

*In millions of EUR*

| 2015                                         | Russian Federation | Czech Republic | Slovak Republic | Belarus   | Kazakhstan | China      | Vietnam    | India       | Other       | Unallocated  | Eliminations | Consolidated |
|----------------------------------------------|--------------------|----------------|-----------------|-----------|------------|------------|------------|-------------|-------------|--------------|--------------|--------------|
| Revenue from customers                       | 1,020              | 110            | 65              | 56        | 198        | 774        | 156        | 23          | 17          | 9            | -            | 2,428        |
| Inter-segment revenue                        | 15                 | -              | -               | -         | -          | -          | -          | -           | 1           | 1            | (17)         | -            |
| <b>Total revenue</b>                         | <b>1,035</b>       | <b>110</b>     | <b>65</b>       | <b>56</b> | <b>198</b> | <b>774</b> | <b>156</b> | <b>23</b>   | <b>18</b>   | <b>10</b>    | <b>(17)</b>  | <b>2,428</b> |
| Net interest income from external customers  | 365                | 69             | 43              | 25        | 106        | 529        | 105        | 13          | 13          | (12)         | -            | 1,256        |
| Inter-segment net interest income            | 15                 | -              | -               | (1)       | (3)        | -          | (1)        | -           | -           | (12)         | 2            | -            |
| <b>Total net interest income</b>             | <b>380</b>         | <b>69</b>      | <b>43</b>       | <b>24</b> | <b>103</b> | <b>529</b> | <b>104</b> | <b>13</b>   | <b>13</b>   | <b>(24)</b>  | <b>2</b>     | <b>1,256</b> |
| Income tax expense                           | 32                 | (6)            | (1)             | (1)       | (14)       | (59)       | (8)        | -           | -           | (2)          | -            | (59)         |
| <b>Net profit from continuing operations</b> | <b>(148)</b>       | <b>19</b>      | <b>5</b>        | <b>1</b>  | <b>34</b>  | <b>124</b> | <b>26</b>  | <b>(26)</b> | <b>(34)</b> | <b>(45)</b>  | <b>(2)</b>   | <b>(46)</b>  |
| Capital expenditure                          | (16)               | (1)            | -               | (4)       | (10)       | (17)       | (3)        | (11)        | (16)        | (28)         | -            | (106)        |
| Depreciation and amortisation                | (32)               | (1)            | -               | (3)       | (6)        | (9)        | (5)        | (3)         | (4)         | (25)         | 12           | (76)         |
| Other significant non-cash expenses          | (494)              | (8)            | (17)            | (4)       | (40)       | (163)      | (34)       | (7)         | (3)         | -            | -            | (770)        |
| Segment assets                               | 3,287              | 485            | 288             | 116       | 319        | 2,701      | 305        | 92          | 124         | 212          | (275)        | 7,654        |
| Segment liabilities                          | 2,875              | 485            | 283             | 95        | 230        | 2,040      | 222        | 61          | 40          | 584          | (265)        | 6,650        |
| <b>Segment equity</b>                        | <b>414</b>         | <b>-</b>       | <b>5</b>        | <b>21</b> | <b>89</b>  | <b>661</b> | <b>83</b>  | <b>31</b>   | <b>84</b>   | <b>(372)</b> | <b>(10)</b>  | <b>1,006</b> |

# PPF Group N.V.

## Notes to the consolidated financial statements for the year ended 31 December 2015

*In millions of EUR*

| 2014                                         | Russian Federation | Czech Republic | Slovak Republic | Belarus   | Kazakhstan | China      | Vietnam    | India       | Other       | Unallocated  | Eliminations | Consolidated |
|----------------------------------------------|--------------------|----------------|-----------------|-----------|------------|------------|------------|-------------|-------------|--------------|--------------|--------------|
| Revenue from customers                       | 1,860              | 121            | 68              | 79        | 204        | 466        | 149        | 7           | 9           | 10           | -            | 2,973        |
| Inter-segment revenue                        | 13                 | -              | -               | -         | -          | -          | -          | -           | 1           | -            | (14)         | -            |
| <b>Total revenue</b>                         | <b>1,873</b>       | <b>121</b>     | <b>68</b>       | <b>79</b> | <b>204</b> | <b>466</b> | <b>149</b> | <b>7</b>    | <b>10</b>   | <b>10</b>    | <b>(14)</b>  | <b>2,973</b> |
| Net interest income from external customers  | 966                | 76             | 42              | 33        | 110        | 309        | 99         | 4           | 8           | (7)          | -            | 1,640        |
| Inter-segment net interest income            | 13                 | -              | -               | (1)       | (5)        | -          | (4)        | -           | 1           | (7)          | 2            | (1)          |
| <b>Total net interest income</b>             | <b>979</b>         | <b>76</b>      | <b>42</b>       | <b>32</b> | <b>105</b> | <b>309</b> | <b>95</b>  | <b>4</b>    | <b>9</b>    | <b>(14)</b>  | <b>2</b>     | <b>1,639</b> |
| Income tax expense                           | 32                 | (6)            | -               | (1)       | (8)        | (31)       | (8)        | -           | -           | (3)          | -            | (25)         |
| <b>Net profit from continuing operations</b> | <b>(108)</b>       | <b>20</b>      | <b>4</b>        | <b>2</b>  | <b>35</b>  | <b>64</b>  | <b>27</b>  | <b>(11)</b> | <b>(22)</b> | <b>(37)</b>  | <b>1</b>     | <b>(25)</b>  |
| Capital expenditure                          | (35)               | (2)            | (1)             | (6)       | (11)       | (15)       | (9)        | (5)         | (7)         | (11)         | -            | (102)        |
| Depreciation and amortisation                | (51)               | (1)            | -               | (3)       | (6)        | (6)        | (3)        | (2)         | (2)         | (17)         | 10           | (81)         |
| Other significant non-cash expenses          | (993)              | (20)           | (17)            | (12)      | (57)       | (119)      | (40)       | (1)         | (4)         | (1)          | -            | (1,264)      |
| Segment assets                               | 4,785              | 483            | 282             | 149       | 506        | 1,377      | 278        | 33          | 70          | 213          | (327)        | 7,849        |
| Segment liabilities                          | 4,155              | 479            | 268             | 113       | 371        | 820        | 208        | 18          | 11          | 568          | (315)        | 6,696        |
| <b>Segment equity</b>                        | <b>632</b>         | <b>4</b>       | <b>14</b>       | <b>36</b> | <b>135</b> | <b>557</b> | <b>70</b>  | <b>15</b>   | <b>59</b>   | <b>(355)</b> | <b>(12)</b>  | <b>1,155</b> |

**D.2. Telecommunication segment**

The telecommunication segment, represented by O2 CR and CETIN, is further divided into two segments based on geographical regions corresponding to the geographical location of customers. The business was acquired in January 2014 therefore the income statement information comprises only eleven months performance.

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

*In millions of EUR*

| 2015                                       | Czech Republic | Slovak Republic | Eliminations | Consolidated |
|--------------------------------------------|----------------|-----------------|--------------|--------------|
| Revenue from customers                     | 1,440          | 241             | -            | 1,681        |
| Inter-segment revenue                      | 10             | 4               | (14)         | -            |
| <b>Total revenue</b>                       | <b>1,450</b>   | <b>245</b>      | <b>(14)</b>  | <b>1,681</b> |
| Cost related to telecommunication business | (487)          | (104)           | 8            | (583)        |
| Net telecommunication income               | 943            | 137             | 8            | 1,088        |
| <b>Segment result</b>                      | <b>230</b>     | <b>29</b>       | <b>(35)</b>  | <b>224</b>   |
| Capital expenditure                        | (217)          | (19)            | -            | (236)        |
| Depreciation and amortisation              | (325)          | (44)            | -            | (369)        |
| Other significant non-cash expenses        | (1)            | (2)             | -            | (3)          |
| Segment assets                             | 5,009          | 475             | (240)        | 5,244        |
| Segment liabilities                        | 1,919          | 115             | (41)         | 1,933        |
| <b>Segment equity</b>                      | <b>3,092</b>   | <b>360</b>      | <b>(199)</b> | <b>3,235</b> |

  

| 2014                                       | Czech Republic | Slovak Republic | Eliminations | Consolidated |
|--------------------------------------------|----------------|-----------------|--------------|--------------|
| Revenue from customers                     | 1,285          | 205             | -            | 1,490        |
| Inter-segment revenue                      | 22             | 3               | (25)         | -            |
| <b>Total revenue</b>                       | <b>1,307</b>   | <b>208</b>      | <b>(25)</b>  | <b>1,490</b> |
| Cost related to telecommunication business | (401)          | (83)            | 12           | (472)        |
| Net telecommunication income               | 906            | 122             | (12)         | 1,018        |
| <b>Segment result</b>                      | <b>143</b>     | <b>16</b>       | <b>(32)</b>  | <b>127</b>   |
| Capital expenditure                        | (237)          | (26)            | (1)          | (264)        |
| Depreciation and amortisation              | (333)          | (38)            | -            | (371)        |
| Other significant non-cash expenses        | (7)            | (1)             | -            | (8)          |
| Segment assets                             | 3,863          | 472             | (230)        | 4,105        |
| Segment liabilities                        | 901            | 110             | (11)         | 1,000        |
| <b>Segment equity</b>                      | <b>2,963</b>   | <b>362</b>      | <b>(219)</b> | <b>3,106</b> |

## E. Notes to the consolidated financial statements

### E.1. Cash and cash equivalents

Cash and cash equivalents comprise the following:

*In millions of EUR, as at 31 December*

|                                                             | 2015         | 2014         |
|-------------------------------------------------------------|--------------|--------------|
| Cash on hand                                                | 137          | 265          |
| Current accounts                                            | 698          | 679          |
| Balances with central banks                                 | 1,252        | 1,030        |
| Placements with financial institutions due within one month | 645          | 174          |
| <b>Total cash and cash equivalents</b>                      | <b>2,732</b> | <b>2,148</b> |

As of 31 December 2014, in accordance with the SG facility (refer to E.16) the cash balance of MEUR 102 could be primarily used to repay the following liabilities in the order as stated: taxes, operating and interest expenses and loan principle related to PPF Arena 2 B.V. The SG facility was repaid in August 2015.

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

### E.2. Investment securities

Investment securities comprise the following:

*In millions of EUR, as at 31 December*

|                                                       | 2015         | 2014         |
|-------------------------------------------------------|--------------|--------------|
| Financial assets at fair value through profit or loss | 739          | 697          |
| Financial assets available for sale                   | 2,287        | 1,994        |
| Financial assets held to maturity                     | 6            | 16           |
| <b>Total financial securities</b>                     | <b>3,032</b> | <b>2,707</b> |

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

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

*In millions of EUR, as at 31 December*

|                                          | 2015       | 2014       |
|------------------------------------------|------------|------------|
| Government and other public-sector bonds | 585        | 478        |
| Corporate bonds                          | 100        | 86         |
| Shares                                   | 2          | -          |
| Mutual fund investments                  | 9          | -          |
| Interest rate derivatives                | 15         | 18         |
| Currency derivatives                     | 28         | 114        |
| Other derivatives                        | -          | 1          |
| <b>Total financial assets at FVTPL</b>   | <b>739</b> | <b>697</b> |

In 2015, the government bonds include non-trading 10-year fixed-interest bonds in an amount of MEUR 177 (2014: MEUR 191). The fixed interest income from these bonds is economically hedged by interest rate swaps.

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

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

*In millions of EUR, as at 31 December*

|                                             | 2015       | 2014       |
|---------------------------------------------|------------|------------|
| Negative fair values of derivatives         | 37         | 51         |
| Interest rate derivatives                   | 23         | 30         |
| Currency derivatives                        | 14         | 21         |
| Liabilities from short sales of securities  | 253        | 201        |
| Other                                       | 9          | 10         |
| <b>Total financial liabilities at FVTPL</b> | <b>299</b> | <b>262</b> |

Details of derivatives are provided in the following tables:

*In millions of EUR, as at 31 December 2015*

| Interest rate derivatives     | Notional amount | Positive fair values | Negative fair values |
|-------------------------------|-----------------|----------------------|----------------------|
| <i>OTC products:</i>          |                 |                      |                      |
| Interest rate swaps           | 2,085           | 12                   | (23)                 |
| Other interest rate contracts | 347             | 3                    | -                    |
| <b>Total</b>                  | <b>2,432</b>    | <b>15</b>            | <b>(23)</b>          |
| Currency derivatives          |                 |                      |                      |
| <i>OTC products:</i>          |                 |                      |                      |
| Forward exchange contracts    | 1,031           | 8                    | -                    |
| Currency/cross currency swaps | 3,362           | 20                   | (14)                 |
| <b>Total</b>                  | <b>4,393</b>    | <b>28</b>            | <b>(14)</b>          |

*In millions of EUR, as at 31 December 2014*

| Interest rate derivatives        | Notional amount | Positive fair values | Negative fair values |
|----------------------------------|-----------------|----------------------|----------------------|
| <i>OTC products:</i>             |                 |                      |                      |
| Interest rate swaps              | 711             | 15                   | (30)                 |
| Interest rate options (purchase) | 21              | -                    | -                    |
| Other interest rate contracts    | 787             | 1                    | -                    |
| <i>Exchange-traded products:</i> |                 |                      |                      |
| Interest rate futures            | 40              | 2                    | -                    |
| <b>Total</b>                     | <b>1,559</b>    | <b>18</b>            | <b>(30)</b>          |
| Currency derivatives             |                 |                      |                      |
| <i>OTC products:</i>             |                 |                      |                      |
| Forward exchange contracts       | 52              | 5                    | -                    |
| Currency/cross currency swaps    | 2,074           | 109                  | (21)                 |
| <b>Total</b>                     | <b>2,126</b>    | <b>114</b>           | <b>(21)</b>          |

**E.2.3. Financial assets available for sale**

Financial assets available for sale comprise the following:

*In millions of EUR, as at 31 December 2015*

|                         | Carrying amount | Amortised cost |
|-------------------------|-----------------|----------------|
| Debt securities         | 2,230           | 2,192          |
| Government bonds        | 1,485           | 1,433          |
| Corporate bonds         | 671             | 683            |
| Other debt securities   | 74              | 76             |
| Equity securities       | 57              | 75             |
| Shares                  | 57              | 74             |
| Mutual fund investments | -               | 1              |
| Loans and receivables   | -               | 7              |
| <b>Total AFS assets</b> | <b>2,287</b>    | <b>2,274</b>   |

*In millions of EUR, as at 31 December 2014*

|                         | Carrying amount | Amortised cost |
|-------------------------|-----------------|----------------|
| Debt securities         | 1,958           | 1,950          |
| Government bonds        | 1,410           | 1,384          |
| Corporate bonds         | 500             | 515            |
| Other debt securities   | 48              | 51             |
| Equity securities       | 35              | 44             |
| Shares                  | 35              | 43             |
| Mutual fund investments | -               | 1              |
| Loans and receivables   | 1               | 6              |
| <b>Total AFS assets</b> | <b>1,994</b>    | <b>2,000</b>   |

Movements in allowances for impairment may be broken as follows:

*In millions of EUR*

|                                               | 2015      | 2014      |
|-----------------------------------------------|-----------|-----------|
| Balance at 1 January                          | 21        | 16        |
| Impairment recognised in the income statement | (4)       | 5         |
| Amount related to assets disposed of          | (1)       | -         |
| <b>Balance at 31 December</b>                 | <b>16</b> | <b>21</b> |

**E.2.4. Financial assets held to maturity**

Financial assets held to maturity comprise the following:

*In millions of EUR, as at 31 December 2015*

|                         | Carrying amount | Cumulative impairment | Amortised cost |
|-------------------------|-----------------|-----------------------|----------------|
| Debt securities         |                 |                       |                |
| Government bonds        | 6               | -                     | 6              |
| <b>Total HTM assets</b> | <b>6</b>        | <b>-</b>              | <b>6</b>       |

## **PPF Group N.V.**

### *Notes to the consolidated financial statements for the year ended 31 December 2015*

*In millions of EUR, as at 31 December 2014*

|                         | Carrying amount | Cumulative impairment | Amortised cost |
|-------------------------|-----------------|-----------------------|----------------|
| Debt securities         |                 |                       |                |
| Corporate bonds         | 16              | -                     | 16             |
| <b>Total HTM assets</b> | <b>16</b>       | <b>-</b>              | <b>16</b>      |

### **E.3. Hedging derivative instruments**

The following table shows details of the hedging derivatives:

*In millions of EUR, as at 31 December 2015*

|                                    | Sell/Buy | Notional amount | Positive fair values | Negative fair values |
|------------------------------------|----------|-----------------|----------------------|----------------------|
| Foreign currency swap contracts    | RUB/USD  | 174             | 91                   | -                    |
| Cross currency interest rate swaps |          | 9               | 5                    | -                    |
| <b>Total</b>                       |          | <b>183</b>      | <b>96</b>            | <b>-</b>             |

*In millions of EUR, as at 31 December 2014*

|                                 | Sell/Buy | Notional amount | Positive fair values | Negative fair values |
|---------------------------------|----------|-----------------|----------------------|----------------------|
| Foreign currency swap contracts | RUB/USD  | 288             | 131                  | -                    |
| <b>Total</b>                    |          | <b>288</b>      | <b>131</b>           | <b>-</b>             |

Cash flows from the hedging derivative instruments were realised in the first quarter of 2016.

### **E.4. Loans and receivables due from banks and other financial institutions**

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

*In millions of EUR, as at 31 December*

|                                                                                    | 2015       | 2014       |
|------------------------------------------------------------------------------------|------------|------------|
| Term deposits at banks                                                             | 130        | 199        |
| Minimum reserve deposits with central banks                                        | 124        | 135        |
| Loans to banks                                                                     | 11         | 13         |
| Loans and advances provided under repos                                            | 149        | 330        |
| Other                                                                              | 135        | 18         |
| <b>Total loans and receivables due from banks and other financial institutions</b> | <b>549</b> | <b>695</b> |

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

**E.5. Loans and receivables due from customers**

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

*In millions of EUR, as at 31 December*

|                                             | 2015         | 2014           |
|---------------------------------------------|--------------|----------------|
| <b>Gross amount</b>                         |              |                |
| Cash loan receivables                       | 3,363        | 4,158          |
| Consumer loan receivables                   | 2,440        | 1,802          |
| Revolving loan receivables                  | 678          | 975            |
| Car loan receivables                        | 113          | 109            |
| Mortgage loan receivables                   | 74           | 73             |
| Loans to corporations                       | 1,277        | 1,041          |
| Loans and advances provided under repos     | 25           | 52             |
| Loans to associates                         | 36           | 33             |
| Other                                       | 14           | 3              |
| <b>Total gross amount</b>                   | <b>8,020</b> | <b>8,246</b>   |
| <b>Collective allowances for impairment</b> |              |                |
| Cash loan receivables                       | (460)        | (683)          |
| Consumer loans receivables                  | (175)        | (213)          |
| Revolving loan receivables                  | (124)        | (176)          |
| Car loan receivables                        | (22)         | (23)           |
| Mortgage loan receivables                   | (6)          | (5)            |
| Other                                       | (1)          | (1)            |
| <b>Total collective impairment</b>          | <b>(788)</b> | <b>(1,101)</b> |
| <b>Individual allowances for impairment</b> |              |                |
| Loans to corporations                       | (45)         | (60)           |
| Loans to associates                         | (34)         | (25)           |
| <b>Total individual impairment</b>          | <b>(79)</b>  | <b>(85)</b>    |
| <b>Total carrying amount</b>                | <b>7,153</b> | <b>7,060</b>   |

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

Movements in allowances for impairment may be broken down as follows:

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

|                                                              | 2015       | 2014         |
|--------------------------------------------------------------|------------|--------------|
| Balance as at 1 January                                      | 1,186      | 1,359        |
| Impairment losses recognised in the income statement         | 762        | 1,276        |
| Change in impairment of loans to associates (negative share) | 11         | 9            |
| Amount related to loans written off and disposed of          | (1,022)    | (1,116)      |
| Translation difference                                       | (70)       | (342)        |
| <b>Balance as at 31 December</b>                             | <b>867</b> | <b>1,186</b> |

**E.6. Trade and other receivables**

Trade and other receivables comprise the following:

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

|                                  | 2015       | 2014       |
|----------------------------------|------------|------------|
| Gross amount                     |            |            |
| Trade receivables                | 456        | 367        |
| Accrued income                   | 1          | 2          |
| Individual impairment            | (25)       | (14)       |
| <b>Balance as at 31 December</b> | <b>432</b> | <b>355</b> |

Movements in allowances for impairment may be broken down as follows:

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

|                                                      | 2015        | 2014        |
|------------------------------------------------------|-------------|-------------|
| Balance as at 1 January                              | (14)        | (4)         |
| Impairment losses recognised in the income statement | (8)         | (10)        |
| Amount related to receivable written off             | (4)         | -           |
| Release of impairment losses on written off items    | 1           | -           |
| <b>Balance as at 31 December</b>                     | <b>(25)</b> | <b>(14)</b> |

**E.7. Income taxes****E.7.1. Income tax expense**

Income tax expense comprises the following:

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

|                                 | 2015         | 2014        |
|---------------------------------|--------------|-------------|
| Current tax expense             | (195)        | (150)       |
| Deferred tax expense            | 51           | 67          |
| <b>Total income tax expense</b> | <b>(144)</b> | <b>(83)</b> |

The following table reconciles the tax expense:

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

|                                                     | 2015         | 2014        |
|-----------------------------------------------------|--------------|-------------|
| Tax rate                                            | 25.0%        | 25.0%       |
| Profit from continuing operations (before taxation) | 496          | 455         |
| Computed taxation using applicable tax rate         | (124)        | (114)       |
| Tax non-deductible expenses                         | (47)         | (46)        |
| Non-taxable income                                  | 80           | 63          |
| Non-taxable share of earnings of associates         | 23           | 4           |
| Tax rate differences on foreign results             | (23)         | 34          |
| Utilised tax loss not previously recognised         | 3            | 18          |
| Tax loss carry forward not recognised               | (59)         | (44)        |
| Withholding tax on intra-group dividends            | (3)          | (4)         |
| Other                                               | 6            | 6           |
| <b>Total income tax expense/income</b>              | <b>(144)</b> | <b>(83)</b> |

**E.7.2. Deferred tax**

Deferred tax assets and liabilities comprise the following:

*In millions of EUR, as at 31 December*

|                                              | 2015<br>Deferred<br>tax<br>liabilities | 2015<br>Deferred<br>tax assets | 2014<br>Deferred<br>tax<br>liabilities | 2014<br>Deferred<br>tax<br>assets |
|----------------------------------------------|----------------------------------------|--------------------------------|----------------------------------------|-----------------------------------|
| Investment securities                        | (34)                                   | 1                              | (42)                                   | 5                                 |
| Loans                                        | (17)                                   | 95                             | (4)                                    | 80                                |
| Inventories                                  | -                                      | 5                              | -                                      | 4                                 |
| Investment property                          | (100)                                  | -                              | (109)                                  | 7                                 |
| Property, plant and equipment                | (249)                                  | 9                              | (242)                                  | 11                                |
| Intangible assets                            | (162)                                  | 1                              | (176)                                  | 1                                 |
| Other assets                                 | (7)                                    | 17                             | (10)                                   | 15                                |
| Debt securities issued                       | -                                      | -                              | (9)                                    | -                                 |
| Trade and other payables                     | (2)                                    | 20                             | (1)                                    | 16                                |
| Provisions                                   | (3)                                    | 8                              | (3)                                    | 13                                |
| Other temporary differences                  | (6)                                    | 50                             | (7)                                    | 46                                |
| Value of loss carry-forwards recognised      | -                                      | 89                             | -                                      | 82                                |
| <b>Deferred tax assets/(liabilities)</b>     | <b>(580)</b>                           | <b>295</b>                     | <b>(603)</b>                           | <b>280</b>                        |
| <b>Net deferred tax assets/(liabilities)</b> | <b>(465)</b>                           | <b>180</b>                     | <b>(460)</b>                           | <b>137</b>                        |

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

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

|                                                             | 2015         | 2014         |
|-------------------------------------------------------------|--------------|--------------|
| Net deferred tax assets/(liabilities) at 1 January          | (323)        | (20)         |
| Deferred tax (expense)/income for the period                | 51           | 67           |
| Deferred tax recognised directly in equity                  | (3)          | (2)          |
| Additions from business combinations                        | (2)          | (386)        |
| Disposals resulting from business combinations              | 2            | 2            |
| Net exchange differences                                    | (10)         | 16           |
| <b>Net deferred tax assets/(liabilities) at 31 December</b> | <b>(285)</b> | <b>(323)</b> |

Addition from business combination in 2014 relates to the telecommunication business acquisition. Deferred tax assets arising from other temporary differences consist mainly of uneven balance sheet eliminations from intra-group transactions.

**E.7.3. Tax losses**

As at 31 December 2015 the Group incurred tax losses from recent years of MEUR 2,175 (2014: MEUR 2,112) available to be carried forward and off-set against future taxable income. To the extent that it is not considered likely that taxable profits will be available against which the unused tax losses can be utilised, the deferred tax assets are not recognised. The unrecognised deferred tax assets amount to MEUR 425 (2014: MEUR 409). The unutilised tax losses can be claimed in the period from 2016 to 2024 in the Netherlands (2016 to 2020 in the Czech Republic and Cyprus, 2016 to 2025 in the Russian Federation, and for an indefinite time in Hong Kong) and they expire as follows:

**PPF Group N.V.***Notes to the consolidated financial statements for the year ended 31 December 2015**In millions of EUR, as at 31 December 2015*

|                                                     | 2015         | 2014         |
|-----------------------------------------------------|--------------|--------------|
| 2015                                                | -            | 44           |
| 2016                                                | 34           | 47           |
| 2017                                                | 28           | 26           |
| 2018                                                | 124          | 142          |
| 2019                                                | 267          | 286          |
| 2020                                                | 373          | 349          |
| 2021                                                | 252          | 243          |
| 2022                                                | 409          | 476          |
| 2023                                                | 209          | 68           |
| 2024                                                | 292          | 281          |
| 2025                                                | 22           | -            |
| Tax losses that can be carried forward indefinitely | 165          | 150          |
| <b>Total</b>                                        | <b>2,175</b> | <b>2,112</b> |

**E.8. Inventories**

Goods are attributable mainly to the retail business of Eldorado and comprise the following:

*In millions of EUR, as at 31 December*

|                              | 2015       | 2014       |
|------------------------------|------------|------------|
| Goods/merchandise for resale | 405        | 301        |
| Trading property             | 71         | 52         |
| Agricultural inventories     | 4          | 3          |
| Other inventory              | 1          | 2          |
| <b>Total inventories</b>     | <b>481</b> | <b>358</b> |

During 2015, a MEUR 1 write-down of inventories was reversed (2014: reversal of a write-down of MEUR 3).

**E.9. Assets and liabilities held for sale**

Assets and liabilities held for sale as at 31 December are as follows:

*In millions of EUR, as at 31 December*

|                                               | 2015      | 2014         |
|-----------------------------------------------|-----------|--------------|
| Cash and cash equivalents                     | 1         | -            |
| Investments in associates                     | 1         | 1,144        |
| Investment property                           | 8         | -            |
| Property, plant and equipment                 | -         | 29           |
| Other assets                                  | 2         | 4            |
| <b>Total assets held for sale</b>             | <b>12</b> | <b>1,177</b> |
| Due to banks and other financial institutions | 4         | 8            |
| Deferred tax liabilities                      | -         | 2            |
| Other liabilities                             | 1         | -            |
| <b>Total liabilities held for sale</b>        | <b>5</b>  | <b>10</b>    |

The held-for-sale investment in associates in 2014 represents a 24% share in Generali PPF Holding. The investment was sold in January 2015.

**E.10. Investments in associates and joint ventures**

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

*In millions of EUR, as at 31 December*

|                                                       | 2015       | 2014       |
|-------------------------------------------------------|------------|------------|
| Polymetal                                             | 561        | 574        |
| Metropolis                                            | 47         | -          |
| Other                                                 | 9          | 3          |
| <b>Total investments in associates/joint ventures</b> | <b>617</b> | <b>577</b> |

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

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

|                                                             | 2015      | 2014      |
|-------------------------------------------------------------|-----------|-----------|
| Polymetal                                                   | 37        | (10)      |
| Metropolis                                                  | 58        | -         |
| EP Holding                                                  | -         | 26        |
| Other real estate projects                                  | (5)       | (1)       |
| Other                                                       | 3         | 2         |
| <b>Total share of earnings in associates/joint ventures</b> | <b>93</b> | <b>17</b> |

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

**Polymetal**

Since 2008 the Group has held a stake in Polymetal International Plc, the Russian precious metals mining company. As of 31 December 2014, the Group held 18.42%. During 2015, the share in Polymetal was decreased to 17.85% mainly due to dilution caused by a Polymetal capital increase in which the Group did not participate. The company is listed on the London Stock Exchange. As of 31 December 2015, the share price of Polymetal was GBP 5.85 (2014: GBP 5.76); the Group holds 75.8 million shares.

As the investment in Polymetal fell below 20%, the Group continuously assesses the significant qualitative features of the ability to apply significant control such as representation on the board of directors and the concentration of other shareholders. Based on this assessment, the Group retains its initial classification of Polymetal as an "investment in associate".

## PPF Group N.V.

### Notes to the consolidated financial statements for the year ended 31 December 2015

*In millions of EUR, as at 31 December*

|                                                                                                     | 2015          | 2014          |
|-----------------------------------------------------------------------------------------------------|---------------|---------------|
| <b>Percentage ownership interest</b>                                                                | <b>17.85%</b> | <b>18.42%</b> |
| Non-current assets                                                                                  | 1,432         | 1,837         |
| Current assets                                                                                      | 494           | 632           |
| Non-current liabilities                                                                             | (1,092)       | (902)         |
| Current liabilities                                                                                 | (386)         | (851)         |
| Net assets (100%)                                                                                   | 448           | 716           |
| Adjustment for share-based compensation reserve                                                     | (6)           | (2)           |
| Adjusted net assets (100%)                                                                          | 442           | 714           |
| Group's share of net assets (17.85%; 2014: 18.42%)                                                  | 79            | 132           |
| Goodwill included in carrying amount                                                                | 482           | 442           |
| <b>Carrying amount of investment in associate</b>                                                   | <b>561</b>    | <b>574</b>    |
| Total revenue                                                                                       | 1,299         | 1,272         |
| Total net profit/(loss) for the period (100%)                                                       | 199           | (158)         |
| Group's share of profit/(loss)<br>(inclusive changes in ownership interest and changes in FX rates) | 36            | (28)          |
| Dilution gain and other changes in equity of Polymetal                                              | 1             | 18            |
| <b>Total share in profit/(loss)</b>                                                                 | <b>37</b>     | <b>(10)</b>   |
| Dividends received by the Group                                                                     | 35            | 22            |

#### Metropolis

In July 2015, the Group acquired a 49.99% stake in entities holding two up-and-running Moscow office buildings (the Metropolis project; refer to B.2.5). Since the acquisition, the project has made a significant profit due to a revaluation of investment property in Russian roubles, although the EUR value of the property has not changed significantly. The profit is set off by a translation loss of MEUR 48 recorded directly in equity.

*In millions of EUR, as at 31 December*

|                                                            | 2015          |
|------------------------------------------------------------|---------------|
| <b>Percentage ownership interest</b>                       | <b>49.99%</b> |
| Non-current assets                                         | 363           |
| Current assets                                             | 14            |
| Non-current liabilities                                    | (268)         |
| Current liabilities                                        | (15)          |
| Net assets (100%)                                          | 94            |
| <b>Carrying amount of investment in associate (49.99%)</b> | <b>47</b>     |
| Total revenue                                              | 125           |
| Total net profit/(loss) for the period (100%)              | 116           |
| <b>Total share in profit/(loss) (49.99%)</b>               | <b>58</b>     |
| Dividends received by the Group                            | -             |

#### Other real estate projects

The Group invests in several real estate projects, with ownership participations ranging from 24.5% to 50%. Two small projects with a negative net asset value of MEUR 26 (2014: three projects with negative net asset value of MEUR 23) are valued at nil.

#### EP Holding

In February 2014, EP Holding acquired 7.41% of its own shares from the Group for MEUR 54. After the transaction, the effective ownership held by the Group decreased from 44.44% to 40%. In June 2014, the Group disposed of its entire stake in EP Holding (refer to B.2.7). The figures presented for 2014 represent financial performance up to the moment of disposal.

## PPF Group N.V.

### Notes to the consolidated financial statements for the year ended 31 December 2015

*In millions of EUR, as at 31 December*

|                                               | 2014      |
|-----------------------------------------------|-----------|
| Total revenue                                 | 1,835     |
| Total net profit                              | 190       |
| Group's share in net profit (40%)             | 76        |
| Non-controlling interests at subholding level | (50)      |
| <b>Group's share in profit (40%)</b>          | <b>26</b> |

#### Generali PPF Holding

Since 2008, investments in associates have included a 49% share in Generali PPF Holding B.V., an insurance group focusing on the insurance and pension fund business within the CEE region. In March 2013, the Group sold a 25% shareholding in Generali PPF Holding to Assicurazioni Generali. The residual 24% stake was sold in January 2015, which is why the investment in associates is classified as a held-for-sale asset in 2014. Due to the reclassification of the investment to the held-for-sale category, no share in 2014 profit or dividend income was recognised in the income statement. During 2014 the Group received total dividend income of MEUR 65 which is recorded as a decrease in the value of the held-for-sale asset.

#### E.11. Investment property

Investment property includes all projects acquired through several acquisitions during the last three years. The projects, located in the Russian Federation, the Czech Republic, the Netherlands, Germany, the Slovak Republic, Romania, Ukraine and India, consist mainly of finished office premises already rented out, land plots and projects under construction.

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

*In millions of EUR, as at 31 December 2015*

|                                  | Russia     | Czech Republic | Netherlands | Germany   | Other    | Total        |
|----------------------------------|------------|----------------|-------------|-----------|----------|--------------|
| Land plot                        | 140        | 9              | -           | -         | -        | 149          |
| Office                           | 269        | 174            | 245         | 88        | -        | 776          |
| Office under development         | -          | 2              | -           | -         | -        | 2            |
| Warehouse                        | 400        | -              | -           | -         | -        | 400          |
| Retail                           | 111        | 12             | 34          | -         | -        | 157          |
| Other                            | 22         | 1              | -           | -         | -        | 23           |
| <b>Total investment property</b> | <b>942</b> | <b>198</b>     | <b>279</b>  | <b>88</b> | <b>-</b> | <b>1,507</b> |

*In millions of EUR, as at 31 December 2014*

|                                  | Russia     | Czech Republic | Netherlands | Germany   | Other    | Total        |
|----------------------------------|------------|----------------|-------------|-----------|----------|--------------|
| Land plot                        | 98         | 42             | -           | -         | 1        | 141          |
| Office                           | 337        | 138            | 254         | 73        | -        | 802          |
| Office under development         | -          | 35             | -           | -         | -        | 35           |
| Warehouse                        | 384        | 1              | -           | -         | -        | 385          |
| Retail                           | 140        | 38             | 35          | -         | -        | 213          |
| Other                            | 19         | 1              | -           | -         | -        | 20           |
| <b>Total investment property</b> | <b>978</b> | <b>255</b>     | <b>289</b>  | <b>73</b> | <b>1</b> | <b>1,596</b> |

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

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

|                                                   | 2015         | 2014         |
|---------------------------------------------------|--------------|--------------|
| Balance at 1 January                              | 1,596        | 1,209        |
| Additions resulting from business combination     | -            | 256          |
| Disposals resulting from business combination     | (26)         | -            |
| Additions - acquisition through asset deal        | 21           | 114          |
| Additions - capitalised costs                     | 30           | 199          |
| Disposals                                         | (71)         | (6)          |
| Transfer to/from non-current assets held for sale | (5)          | (18)         |
| Transfer to/from PPE                              | -            | 2            |
| Unrealised gains from investment property         | 95           | 203          |
| Unrealised losses from investment property        | (78)         | (110)        |
| Net FX differences                                | (55)         | (253)        |
| <b>Balance at 31 December</b>                     | <b>1,507</b> | <b>1,596</b> |

Except for the acquisitions commented on in sections B.2.5 the most significant developments in real estate segment in 2015 and 2014 were as follows:

- acquisition of an office building in the Netherlands (Rotterdam) in 2015;
- sale of an office building in the Netherlands (Amsterdam), a building rented in the retail business segment and land plots (all located in Prague) in 2015;
- acquisition of two office buildings in Germany (close to Frankfurt and Düsseldorf), two buildings in the Netherlands (both in Rotterdam) in 2014;
- finalisation of the construction of the Moscow office building project ComCity in 2014.

### **E.11.1. 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 the development properties. The total sum of these revenues or sales is known as the Gross Development Value ("GDV") and includes all of the 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 a 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 his 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                           | Income approach  |
| Czech Republic | office under development                | Residual         |
| Russia         | office (including under development)    | Income approach  |
| Russia         | warehouse (including under development) | 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 2015*

|                               | Germany         | Netherlands    | Czech Republic | Russia      |
|-------------------------------|-----------------|----------------|----------------|-------------|
| Current income per sqm        | EUR 10.09-12.82 | EUR 0.37-17.76 | EUR 9.37-16.80 | EUR 7-25.1  |
| Market rent per sqm           | EUR 8.5-16.0    | EUR 9.58-16.18 | EUR 8.14-25    | EUR 7.67-24 |
| Initial yield                 | 4.7%-9.19%      | 6%-10.75%      | (1.29%)-13.06% | 2.7%-11.1%  |
| Reversionary yield            | 5.01%-7.36%     | 7.97%-24.39%   | 5.67%-9.74%    | n/a         |
| Inflation (long-term average) | 1.5%            | 1.74%          | 2%             | 3%          |

#### *For the year ended 31 December 2014*

|                               | Germany        | Netherlands    | Czech Republic | Russia      |
|-------------------------------|----------------|----------------|----------------|-------------|
| Current income per sqm        | EUR 9.07-12.82 | EUR 8.23-22.22 | EUR 9.14-65    | EUR 8-32.2  |
| Market rent per sqm           | EUR 8.5-14.5   | EUR 10.42-17.5 | EUR 4-150      | EUR 10-30.5 |
| Initial yield                 | 4.21%-9.01%    | 6.25%-11.5%    | (2.08%)-12.54% | 7%-14.5%    |
| Reversionary yield            | 5.91%-7.34%    | 7.38%-20.24%   | 4.65%-9.79%    | n/a         |
| Inflation (long-term average) | 2%             | 2.08%          | 2%             | 3%          |

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.12. Property, plant and equipment**

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

*In millions of EUR, for the year ended 31 December 2015*

|                                                         | Land and<br>buildings | Ducts,<br>cables and<br>related plant | Telecom.<br>technology<br>and related<br>equipment | Vehicles | Other<br>tangible<br>assets and<br>equipment | Total        |
|---------------------------------------------------------|-----------------------|---------------------------------------|----------------------------------------------------|----------|----------------------------------------------|--------------|
| Carrying amount                                         |                       |                                       |                                                    |          |                                              |              |
| Balance at 1 January                                    | 625                   | 1,385                                 | 259                                                | 5        | 184                                          | 2,458        |
| Additions                                               | 12                    | 22                                    | 101                                                | 4        | 80                                           | 219          |
| Disposals                                               | (1)                   | -                                     | (6)                                                | -        | (15)                                         | (22)         |
| Other movements                                         | 1                     | -                                     | 9                                                  | -        | (13)                                         | (3)          |
| Depreciation charge                                     | (33)                  | (77)                                  | (71)                                               | (2)      | (66)                                         | (249)        |
| Depreciation included in<br>cost of sales (agriculture) | -                     | -                                     | -                                                  | -        | (2)                                          | (2)          |
| Impairment charge                                       | (2)                   | -                                     | (1)                                                | -        | (6)                                          | (9)          |
| Impairment reversal                                     | -                     | -                                     | -                                                  | -        | 3                                            | 3            |
| Net FX differences                                      | (11)                  | 36                                    | 7                                                  | (1)      | (9)                                          | 22           |
| <b>Total</b>                                            | <b>591</b>            | <b>1,366</b>                          | <b>298</b>                                         | <b>6</b> | <b>156</b>                                   | <b>2,417</b> |
| Cost                                                    | 685                   | 1,511                                 | 478                                                | 13       | 386                                          | 3,073        |
| Accumulated depreciation<br>and impairment              | (94)                  | (145)                                 | (180)                                              | (7)      | (230)                                        | (656)        |
| <i>Of which: Not in use</i>                             | 6                     | 11                                    | 61                                                 | -        | 10                                           | 88           |

*In millions of EUR, for the year ended 31 December 2014*

|                                                         | Land and<br>buildings | Ducts,<br>cables and<br>related plant | Telecom.<br>technology<br>and related<br>equipment | Vehicles | Other<br>tangible<br>assets and<br>equipment | Total        |
|---------------------------------------------------------|-----------------------|---------------------------------------|----------------------------------------------------|----------|----------------------------------------------|--------------|
| Carrying amount                                         |                       |                                       |                                                    |          |                                              |              |
| Balance at 1 January                                    | 318                   | -                                     | -                                                  | 7        | 230                                          | 555          |
| Additions resulting from<br>business combinations       | 394                   | 1,438                                 | 348                                                | 1        | 52                                           | 2,233        |
| Additions                                               | 18                    | 24                                    | 32                                                 | 2        | 80                                           | 156          |
| Disposals                                               | (3)                   | -                                     | (1)                                                | -        | (13)                                         | (17)         |
| Other movements                                         | 7                     | -                                     | -                                                  | -        | (6)                                          | 1            |
| Depreciation charge                                     | (28)                  | (67)                                  | (117)                                              | (3)      | (98)                                         | (313)        |
| Depreciation included in<br>cost of sales (agriculture) | -                     | -                                     | -                                                  | -        | (2)                                          | (2)          |
| Impairment charge                                       | (1)                   | -                                     | -                                                  | -        | (15)                                         | (16)         |
| Impairment reversal                                     | 1                     | -                                     | -                                                  | -        | 2                                            | 3            |
| Net FX differences                                      | (81)                  | (10)                                  | (3)                                                | (2)      | (46)                                         | (142)        |
| <b>Total</b>                                            | <b>625</b>            | <b>1,385</b>                          | <b>259</b>                                         | <b>5</b> | <b>184</b>                                   | <b>2,458</b> |
| Cost                                                    | 686                   | 1,452                                 | 375                                                | 12       | 408                                          | 2,933        |
| Accumulated depreciation<br>and impairment              | (61)                  | (67)                                  | (116)                                              | (7)      | (224)                                        | (475)        |
| <i>Of which: Not in use</i>                             | 8                     | 5                                     | 20                                                 | -        | 16                                           | 49           |

The increase in all categories of PPE during 2014 is caused by the acquisitions of a telecommunication business and a sports arena in Prague. Tangible assets related to the telecommunication business comprise mainly technical installation, machinery and structures used for three main business lines – fixed, mobile and internet services.

**E.13. Intangible assets**

Intangible assets comprise the following:

*In millions of EUR, as at 31 December*

|                                                          | 2015         | 2014         |
|----------------------------------------------------------|--------------|--------------|
| Goodwill                                                 | 680          | 690          |
| Software                                                 | 294          | 266          |
| Trademark                                                | 194          | 217          |
| Licences                                                 | 341          | 365          |
| Customer relationships                                   | 501          | 544          |
| In-process research and development                      | 127          | 93           |
| Present value of future profits from portfolios acquired | 12           | 18           |
| Other                                                    | 8            | 6            |
| <b>Total intangible assets</b>                           | <b>2,157</b> | <b>2,199</b> |

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

**E.13.1. Goodwill**

The following table shows the roll-forward of goodwill:

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

|                                                | 2015       | 2014       |
|------------------------------------------------|------------|------------|
| Balance at 1 January                           | 690        | 261        |
| Additions resulting from business combinations | -          | 534        |
| Impairment losses recognised                   | -          | (18)       |
| Net FX differences                             | (10)       | (87)       |
| <b>Balance at 31 December</b>                  | <b>680</b> | <b>690</b> |

Goodwill consists of three significant items arising from the acquisition of Eldorado in 2009 and O2 CR in 2014. Following the demerger of O2 CR (refer to B.2.2.3) the initial goodwill was allocated to the newly established CGUs not existing at the time of acquisition based on the proportion of external revenues generated by both businesses (O2 CR: 80.3%, CETIN: 19.7%)

As of 31 December 2015, the carrying value of Eldorado goodwill amounts to MEUR 138 (2014: MEUR 143), the carrying of O2 CR goodwill MEUR 413 (2014 prior to the demerger: MEUR 508) and the carrying amount of CETIN goodwill MEUR 104. Goodwill is tested annually for impairment. In 2015 and 2014, no impairment except for the goodwill related to the acquisition of O2 Arena (refer to B.2.6) was recognised in the income statement.

Eldorado

The impairment test involves determining the recoverable amount for the Eldorado cash-generating unit, which corresponds to the value in use, i.e. the present value of future cash flows expected to be derived from the CGU.

Value in use is determined on the basis of an enterprise valuation model and is assessed from a Group-internal perspective. Value in use is derived from the medium-term forecast for a period of four years, which has been prepared by the management and is the most recent at

the time of the impairment test. The medium-term forecast is based on past experience, as well as on future market trends. Furthermore, the medium-term forecast is based on general economic data derived from macroeconomic and financial studies. Cash flows beyond the five-year period are extrapolated using appropriate growth rates. Key assumptions on which the management has based its business plan and growth rates include the trend 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 the CGU are most sensitive to the following assumptions:

Estimated growth rate – the Group uses a growth rate of 5.0%, i.e. the anticipated rouble inflation rate in Russia, thus assuming flat revenue in real terms.

Discount rate – discount rates reflect management’s estimate of the risk specific to the CGU. The weighted average of cost of capital forms the basis for determining the discount rate. This rate is calculated using the capital asset pricing model (“CAPM”); the Group also uses relevant data taken from independent financial analysts as a benchmark.

## O2 CR

The impairment test involves determining the recoverable amount of the consolidated entity, which corresponds to the value in use. Value in use is the present value of future cash flows expected to be derived from the company (CGU).

Value in use is determined on the basis of a discounted cash flow enterprise valuation model. Value in use is derived from cash flow forecasts based on the analyst mean forecast sourced from Thomson Reuters Eikon (the years 2016 to 2019). Cash flows beyond the forecast period were extrapolated (the years 2020 to 2022) using appropriate growth rates, based on general economic data derived from macroeconomic and financial studies.

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

Estimated growth rate in terminal value – forecasts of the market and regulatory environment in which the company conducts its principal business, as well as the investment life cycle, are the basis for determining the value assigned to the estimated growth rate. A 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 financial independent financial analysts as a benchmark for the weighted average cost of capital were used to determine the discount rate. The resulting discount rate and its effect on value in use were tested for sensitivity. The current methodology used as of 31 December 2015 will be subject to regular reassessment and, potentially, adjustment.

Discounted cash flow valuation was supported by valuation using a market approach based on publicly traded guideline 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 guideline public companies for 2015.

**CETIN**

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

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

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

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

Discount rate – this reflects the Group's estimate of the risk and related expected return. The weighted average cost of capital forms the basis for the determination of the discount rate. Relevant data taken from financial independent financial analysts as a benchmark for the weighted average cost of capital were used to determine the discount rate. The resulting discount rate and its effect on value in use were tested for sensitivity. The current methodology used as of 31 December 2015 will be subject to regular reassessment and, potentially, adjustment.

**E.13.2. Other intangible assets**

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

*In millions of EUR, for the year ended 31 December 2015*

|                                                | Software   | Trade-<br>marks | Licences   | Customer<br>relation-<br>ships | IPRD       | PVFP      | Other<br>intangible<br>assets | Total        |
|------------------------------------------------|------------|-----------------|------------|--------------------------------|------------|-----------|-------------------------------|--------------|
| <b>Carrying amount</b>                         |            |                 |            |                                |            |           |                               |              |
| Balance at 1 January                           | 266        | 217             | 365        | 544                            | 93         | 18        | 6                             | 1,509        |
| Additions                                      | 120        | -               | 18         | 1                              | 25         | -         | 7                             | 171          |
| Additions from internal development            | 8          | -               | -          | -                              | 6          | -         | -                             | 14           |
| Disposal                                       | (3)        | -               | -          | -                              | -          | -         | -                             | (3)          |
| Other changes                                  | 5          | -               | 1          | 1                              | -          | -         | (4)                           | 3            |
| Amortisation charge                            | (94)       | (32)            | (48)       | (56)                           | -          | (4)       | (1)                           | (235)        |
| Impairment charge                              | (6)        | -               | -          | -                              | -          | -         | -                             | (6)          |
| Impairment reversal                            | -          | 23              | -          | -                              | -          | -         | -                             | 23           |
| Net FX differences                             | (2)        | (14)            | 5          | 11                             | 3          | (2)       | -                             | 1            |
| <b>Balance at 31 December</b>                  | <b>294</b> | <b>194</b>      | <b>341</b> | <b>501</b>                     | <b>127</b> | <b>12</b> | <b>8</b>                      | <b>1,477</b> |
| Cost                                           | 585        | 234             | 419        | 610                            | 127        | 26        | 10                            | 2,011        |
| Accumulated amortisation and impairment losses | (291)      | (40)            | (78)       | (109)                          | -          | (14)      | (2)                           | (534)        |
| <i>Of which: Not in use</i>                    | 49         | -               | 18         | -                              | -          | -         | -                             | 67           |

# PPF Group N.V.

## Notes to the consolidated financial statements for the year ended 31 December 2015

*In millions of EUR, for the year ended 31 December 2014*

|                                                   | Software   | Trade-<br>marks | Licences   | Customer<br>relation-<br>ships | IPRD      | PVFP      | Other<br>intangible<br>assets | Total        |
|---------------------------------------------------|------------|-----------------|------------|--------------------------------|-----------|-----------|-------------------------------|--------------|
| Carrying amount                                   |            |                 |            |                                |           |           |                               |              |
| Balance at 1 January                              | 139        | 129             | -          | -                              | 72        | 36        | 1                             | 377          |
| Additions resulting from<br>business combinations | 132        | -               | 397        | 602                            | -         | -         | 5                             | 1,136        |
| Additions                                         | 93         | 136             | -          | -                              | 17        | -         | 1                             | 247          |
| Additions from internal<br>development            | 24         | -               | -          | -                              | 5         | -         | -                             | 29           |
| Disposal                                          | (4)        | -               | -          | -                              | -         | -         | -                             | (4)          |
| Other changes                                     | 1          | -               | -          | -                              | -         | -         | -                             | 1            |
| Amortisation charge                               | (89)       | (5)             | (32)       | (54)                           | -         | (8)       | -                             | (188)        |
| Impairment charge                                 | (4)        | -               | -          | -                              | -         | -         | -                             | (4)          |
| Net FX differences                                | (26)       | (43)            | -          | (4)                            | (1)       | (10)      | (1)                           | (85)         |
| <b>Balance at 31 December</b>                     | <b>266</b> | <b>217</b>      | <b>365</b> | <b>544</b>                     | <b>93</b> | <b>18</b> | <b>6</b>                      | <b>1,509</b> |
| Cost                                              | 462        | 247             | 395        | 598                            | 93        | 30        | 8                             | 1,833        |
| Accumulated amortisation<br>and impairment losses | (196)      | (30)            | (30)       | (54)                           | -         | (12)      | (2)                           | (324)        |
| <i>Of which: Not in use</i>                       | 70         | -               | -          | -                              | -         | -         | -                             | 70           |

### E.14. Other assets

Other assets comprise the following:

*In millions of EUR, as at 31 December*

|                                                                | 2015       | 2014       |
|----------------------------------------------------------------|------------|------------|
| Prepaid expenses and advances                                  | 104        | 111        |
| Other taxes receivable                                         | 52         | 32         |
| Biological assets                                              | 6          | 6          |
| Insurance related other assets                                 | 31         | 83         |
| Deferred acquisition costs – insurance business                | 28         | 79         |
| Non-life amounts ceded to reinsurers from insurance provisions | 1          | 1          |
| Receivables arising out of direct insurance operations         | 2          | 3          |
| Other                                                          | 47         | 45         |
| <b>Subtotal other assets (gross)</b>                           | <b>240</b> | <b>277</b> |
| Individual allowances for impairment                           |            |            |
| Prepaid expenses and advances                                  | (2)        | (2)        |
| Other                                                          | (3)        | (3)        |
| <b>Total other assets (net)</b>                                | <b>235</b> | <b>272</b> |

#### E.14.1. Deferred acquisition costs – insurance business

The following table shows the roll-forward of the “Deferred acquisition costs” related to the insurance business:

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

|                                                | 2015      | 2014      |
|------------------------------------------------|-----------|-----------|
| Balance at 1 January                           | 79        | 234       |
| Acquisition costs incurred during the period   | 14        | 24        |
| Amortisation (charged in the income statement) | (60)      | (126)     |
| Net FX differences                             | (5)       | (53)      |
| <b>Balance at 31 December</b>                  | <b>28</b> | <b>79</b> |

**E.15. Liabilities to non-banks**

Liabilities to non-banks comprise the following:

*In millions of EUR, as at 31 December*

|                                       | 2015         | 2014         |
|---------------------------------------|--------------|--------------|
| Current accounts and demand deposits  | 4,170        | 3,490        |
| Term deposits                         | 2,347        | 2,921        |
| Loans                                 | 17           | 11           |
| Loans received under repos            | 215          | 163          |
| Other                                 | 7            | 2            |
| <b>Total liabilities to non-banks</b> | <b>6,756</b> | <b>6,587</b> |

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

**E.16. Liabilities to banks and other financial institutions**

Liabilities to banks and other financial institutions comprise the following:

*In millions of EUR, as at 31 December*

|                                   | 2015         | 2014         |
|-----------------------------------|--------------|--------------|
| Repayable on demand               | 3            | 30           |
| Loans received under repos        | 206          | 335          |
| Secured loans (other than repos)  | 4,522        | 3,531        |
| Unsecured loans                   | 580          | 1,394        |
| Other                             | 31           | 11           |
| <b>Total liabilities to banks</b> | <b>5,342</b> | <b>5,301</b> |

Secured loans include four significant loan facilities.

The syndicated loan facility (the “Calyon facility”) had a maximum limit of MEUR 1,028 (from March 2013) and was secured with a 24% stake in GPH. In January 2015, the facility was repaid at the time of GPH disposal.

The second syndicated loan facility was provided by a consortium led by Société Générale (the “SG facility”) in connection with the acquisition of O2 CR in January 2014. It comprised a MEUR 1,300 term loan, financing the initial acquisition price and additional shares acquired during the MTO, and a MEUR 63 revolving loan used to cover debt service costs. The SG facility had an original maturity of November 2018 and was secured by a pledge of the Group’s share in O2 CR and CETIN (following the demerger of O2 CR). In August 2015, the facility was fully repaid and replaced by a new facility. In August 2015, the Group obtained a new syndicated loan facility through its subsidiary CETIN, which was provided by a bank consortium and totalled MEUR 1,181. On 5 August 2015, the facility – drawn to the maximum amount – fully replaced the SG facility provided for the acquisition of O2 CR in January 2014. The facility, denominated in Czech crowns, consists of a three-year term loan amounting to MEUR 374 and a seven-year term loan amounting to MEUR 807. It is secured by a pledge of the CETIN share held by PPF Arena 2 and with fixed assets held by CETIN (refer to E.37.1).

In connection with additional direct purchases of O2 CR shares, the Group received another secured loan of MEUR 270, initially maturing in October 2020 (refer to B.2.2.2). In 2015, the

facility was renegotiated in a move that saw the maturity extended until October 2021. The facility is secured by a pledge of O2 CR and CETIN shares (following the demerger of O2 CR) in a proportion financed by the facility.

In November 2015, the Group received a new senior loan facility from a group of banks consisting of a term loan of MEUR 370 and a revolving credit facility of MEUR 10. The term loan was fully drawn to finance the deferred purchase price owed to Telefonica S.A. and for recapitalisation purposes. The facility, denominated in Czech crowns, matures in December 2020 and is secured by a pledge of O2 CR shares (refer to E.37.1).

As of 31 December 2014, the Company complied with all covenants related to the loan facilities except for two Russian real estate projects – the construction of the ComCity Moscow office building and a shopping mall in Ryazan. In the case of ComCity, in 2015 the Group signed a new pledge agreement reflecting the finalisation of the construction phase, during which new covenants are fulfilled. In relation to the Ryazan project and loan amounting to MEUR 70, the Group negotiated a two-year restructuring period, over which the Group has been granted a grace period for the repayment of the loan.

In general, the situation in Russia has worsened significantly due to the deeper-than-expected continuation of the economic crisis and the further devaluation of the local currency. This has influenced the underlying market values of individual assets. While all the assets are doing fine in terms of cash flow performance and all the loans are being serviced properly, we are facing LTV (loan-to-value covenant) issues with most of the Russian projects. The Group is in earnest discussions with all the banks and is actively trying to find a mutual solution to this. The most likely solution will be LTV waivers provided by banks. However, the discussions remain open. As of 31 December 2015, the LTV covenants for the Tomilino and South Gate logistic projects had not been fulfilled.

### ***E.17. Debt securities issued***

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

*In millions of EUR, as at 31 December*

|                                                                | Interest rate | Maturity | 2015         | 2014         |
|----------------------------------------------------------------|---------------|----------|--------------|--------------|
| Unsecured RUB bond issue 2 of MRUB 3,000                       | Variable      | 2016     | 37           | 44           |
| Unsecured CZK bond issue 5 of MCZK 3,750                       | Fixed         | 2016     | 125          | 124          |
| Cash loan receivables backed note issue of MRUB 5,000          | Variable      | 2016     | 62           | 73           |
| Unsecured bond issue of MKZT 7,000                             | Fixed         | 2016     | 19           | 31           |
| Unsecured CZK bond issue of MCZK 920                           | Fixed         | 2017     | 32           | 29           |
| Unsecured bond issue of MKZT 6,769                             | Fixed         | 2019     | 19           | 31           |
| Unsecured RUB bond issue 7 of MRUB 5,000                       | Variable      | 2015     | -            | 74           |
| Unsecured CZK bond issue 4 of MCZK 2,900                       | Fixed         | 2015     | -            | 100          |
| Bond notes MEUR 208                                            | Fixed         | 2015     | -            | 209          |
| Deposit bill of exchange; zero-coupon rate                     | Fixed         | 2016     | 684          | 28           |
| Long-term registered certificate of deposit; rate 14%          | Fixed         | 2016     | 32           | 29           |
| Deposit bills of exchange; rates (0.45%-0.71%)                 | Fixed         | 2017     | 4            | -            |
| Long-term registered certificates of deposit; rates (13-13.5%) | Fixed         | 2017     | 20           | 16           |
| Deposit bill of exchange; zero-coupon rate                     | Fixed         | 2018     | 22           | 20           |
| Deposit bills of exchange; rates (0%-1.4%)                     | Fixed         | 2015     | -            | 269          |
| <b>Total debt securities issued</b>                            |               |          | <b>1,056</b> | <b>1,077</b> |

## **PPF Group N.V.**

### *Notes to the consolidated financial statements for the year ended 31 December 2015*

In January 2015, the Group made an early repayment of MEUR 208 bond notes (the maturity was set to November 2015) in connection with the sale of Generali PPF Holding.

RUB denominated cash loans receivables backed notes were issued in November 2013 with a fixed coupon rate valid until the coupon payment date on 19 January 2017 and with a capped floating coupon rate from 20 January 2017 until final maturity. The Group issued a public offer to purchase the outstanding cash loans receivables backed notes in November 2016. As at 31 December 2015, cash loan receivables of MEUR 79 (2014: MEUR 91) served as collateral for these notes.

#### **E.18. Subordinated liabilities**

Subordinated liabilities comprise the following:

*In millions of EUR, as at 31 December*

|                                              | Interest rate | Maturity | 2015       | 2014       |
|----------------------------------------------|---------------|----------|------------|------------|
| Loan of MRUB 681                             | Fixed         | 2017     | 9          | -          |
| Loan participation notes issue 7 of MUSD 500 | Fixed         | 2020     | 94         | 283        |
| Loan participation notes issue 8 of MUSD 200 | Fixed         | 2021     | 149        | 153        |
| Bond issue of MCZK 1,400                     | Fixed         | 2023     | 54         | 53         |
| Bond issue of MCZK 1,000                     | Fixed         | 2024     | 29         | 13         |
| <b>Total subordinated liabilities</b>        |               |          | <b>335</b> | <b>502</b> |

Subordinated loan participation notes issue 7 was made in October 2012. The Group has an early redemption option exercisable on 24 April 2018 (the reset date). After the reset date the interest rate is determined as a variable rate. During 2015 the Group bought back the loan participation notes with a cumulative par value of MUSD 272 (2014: a cumulative par value of MUSD 51).

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

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

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

#### **E.19. Provisions**

Provisions comprise the following:

*In millions of EUR, as at 31 December*

|                                                            | 2015       | 2014       |
|------------------------------------------------------------|------------|------------|
| Insurance provisions                                       | 152        | 239        |
| Goods returns                                              | 5          | 7          |
| Provision for litigation except for tax-related litigation | 4          | 5          |
| Other provisions                                           | 17         | 16         |
| <b>Total provisions</b>                                    | <b>178</b> | <b>267</b> |

**PPF Group N.V.***Notes to the consolidated financial statements for the year ended 31 December 2015*

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

*In millions of EUR, for the year ended 31 December 2015*

|                                                | Goods returns | Provision for litigation except for tax issues | Other provisions | Total     |
|------------------------------------------------|---------------|------------------------------------------------|------------------|-----------|
| Balance at 1 January                           | 7             | 5                                              | 16               | 28        |
| Additions resulting from business combinations |               |                                                |                  |           |
| Provisions created during the year             | 4             | 4                                              | 22               | 30        |
| Provisions used during the year                | (4)           | (2)                                            | (19)             | (25)      |
| Provisions released during the year            | -             | (3)                                            | (2)              | (5)       |
| Net FX differences                             | (2)           | -                                              | -                | (2)       |
| <b>Balance at 31 December</b>                  | <b>5</b>      | <b>4</b>                                       | <b>17</b>        | <b>26</b> |
| Non-current (> 1 year)                         | -             | 1                                              | 10               | 11        |
| Current (< 1 year)                             | 5             | 3                                              | 7                | 15        |
| <b>Total provisions</b>                        | <b>5</b>      | <b>4</b>                                       | <b>17</b>        | <b>26</b> |

*In millions of EUR, for the year ended 31 December 2014*

|                                                | Goods returns | Provision for litigation except for tax issues | Other provisions | Total     |
|------------------------------------------------|---------------|------------------------------------------------|------------------|-----------|
| Balance at 1 January                           | 8             | 4                                              | 6                | 18        |
| Additions resulting from business combinations | -             | 1                                              | 1                | 2         |
| Provisions created during the year             | 8             | 9                                              | 34               | 51        |
| Provisions used during the year                | (5)           | (4)                                            | (19)             | (28)      |
| Provisions released during the year            | (1)           | (4)                                            | (2)              | (7)       |
| Net FX differences                             | (3)           | (1)                                            | (4)              | (8)       |
| <b>Balance at 31 December</b>                  | <b>7</b>      | <b>5</b>                                       | <b>16</b>        | <b>28</b> |
| Non-current (> 1 year)                         | -             | 1                                              | 9                | 10        |
| Current (< 1 year)                             | 7             | 4                                              | 7                | 18        |
| <b>Total provisions</b>                        | <b>7</b>      | <b>5</b>                                       | <b>16</b>        | <b>28</b> |

Provisions for goods returns relate to the retail business. The Group has assessed that it is more likely than not that it will have to pay back sales revenues with respect to a certain number of products returned by customers either within two weeks after the sale date unconditionally, or later due to quality issues with the goods. The Group creates a provision for such returns of goods based on historical information on returns, on average accounting for 0.4% of sales for the years ended 31 December 2015 and 2014.

**E.19.1. Insurance provisions**

Insurance provisions comprise the following:

*In millions of EUR, for the year ended 31 December 2015*

|                                                                | Direct insurance | Accepted reinsurance | Total      |
|----------------------------------------------------------------|------------------|----------------------|------------|
| Non-life insurance provisions                                  | 78               | (1)                  | 77         |
| Provisions for unearned premiums                               | 72               | -                    | 72         |
| Provisions for outstanding claims                              | 6                | (1)                  | 5          |
| RBNS provisions                                                | 6                | (1)                  | 5          |
| Life insurance provisions                                      | 74               | -                    | 74         |
| Provisions for outstanding claims                              | 3                | -                    | 3          |
| Mathematical provisions                                        | 65               | -                    | 65         |
| Provisions for profit participation allocated to policyholders | 6                | -                    | 6          |
| <b>Total insurance provisions</b>                              | <b>152</b>       | <b>(1)</b>           | <b>151</b> |

*In millions of EUR, for the year ended 31 December 2014*

|                                                                | Direct insurance | Accepted reinsurance | Total      |
|----------------------------------------------------------------|------------------|----------------------|------------|
| Non-life insurance provisions                                  | 170              | (1)                  | 169        |
| Provisions for unearned premiums                               | 162              | -                    | 162        |
| Provisions for outstanding claims                              | 8                | (1)                  | 7          |
| RBNS provisions                                                | 6                | (1)                  | 5          |
| IBNR provisions                                                | 2                | -                    | 2          |
| Life insurance provisions                                      | 69               | -                    | 69         |
| Provisions for outstanding claims                              | 2                | -                    | 2          |
| Mathematical provisions                                        | 64               | -                    | 64         |
| Provisions for profit participation allocated to policyholders | 3                | -                    | 3          |
| <b>Total insurance provisions</b>                              | <b>239</b>       | <b>(1)</b>           | <b>238</b> |

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

*In millions of EUR, for the year ended 31 December 2015*

|                                    | Gross amount | Reinsurers' share | Net amount |
|------------------------------------|--------------|-------------------|------------|
| Balance as at 1 January 2015       | 162          | -                 | 162        |
| Premiums written during the year   | 32           | -                 | 32         |
| Premiums earned during the year    | (108)        | -                 | (108)      |
| Net FX differences                 | (14)         | -                 | (14)       |
| <b>Balance at 31 December 2015</b> | <b>72</b>    | <b>-</b>          | <b>72</b>  |

*In millions of EUR, for the year ended 31 December 2014*

|                                                | Gross amount | Reinsurers' share | Net amount |
|------------------------------------------------|--------------|-------------------|------------|
| Additions resulting from business combinations | 376          | (2)               | 374        |
| Premiums written during the year               | 73           | (1)               | 72         |
| Premiums earned during the year                | (194)        | 3                 | (191)      |
| Net FX differences                             | (93)         | -                 | (93)       |
| <b>Balance at 31 December 2014</b>             | <b>162</b>   | <b>-</b>          | <b>162</b> |

# PPF Group N.V.

## Notes to the consolidated financial statements for the year ended 31 December 2015

Movements in provisions for outstanding claims were as follows:

*In millions of EUR, for the year ended 31 December 2015*

|                                                   | Gross amount | Reinsurers' share | Net amount |
|---------------------------------------------------|--------------|-------------------|------------|
| Balance as at 1 January 2015                      | 8            | (1)               | 7          |
| Claims incurred in the current year               | 6            | (1)               | 5          |
| Adjustments for losses incurred in previous years | (2)          | -                 | (2)        |
| Claims paid during the year                       | (5)          | 1                 | (4)        |
| Net FX differences                                | (1)          | -                 | (1)        |
| <b>Balance at 31 December 2015</b>                | <b>6</b>     | <b>(1)</b>        | <b>5</b>   |

*In millions of EUR, for the year ended 31 December 2014*

|                                                   | Gross amount | Reinsurers' share | Net amount |
|---------------------------------------------------|--------------|-------------------|------------|
| Balance as at 1 January 2014                      | 13           | (4)               | 9          |
| Claims incurred in the current year               | 10           | (1)               | 9          |
| Adjustments for losses incurred in previous years | (3)          | 1                 | (2)        |
| Claims paid during the year                       | (9)          | 2                 | (7)        |
| Net FX differences                                | (3)          | 1                 | (2)        |
| <b>Balance at 31 December 2014</b>                | <b>8</b>     | <b>(1)</b>        | <b>7</b>   |

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

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

|                                                                                                               | 2015      | 2014      |
|---------------------------------------------------------------------------------------------------------------|-----------|-----------|
| Balance as at 1 January 2015                                                                                  | 67        | 79        |
| Mathematical provision for contracts concluded in previous years, and cancelled in the current reporting year | (8)       | (6)       |
| Mathematical provision for contracts maturing in the current reporting year                                   | (3)       | (2)       |
| Increase in mathematical provision for active contracts concluded in previous years                           | 18        | 21        |
| Provision for insurance contracts concluded in the current period                                             | 3         | 4         |
| Bonuses (profit) credited to policyholders                                                                    | 4         | (1)       |
| Net FX differences                                                                                            | (10)      | (28)      |
| <b>Balance at 31 December 2015</b>                                                                            | <b>71</b> | <b>67</b> |

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 2015*

|                               | Less than<br>1 year | 1 to 3<br>years | 3 to 5<br>years | 5 to 15<br>years | More<br>than 15<br>years | Non<br>specified | Total |
|-------------------------------|---------------------|-----------------|-----------------|------------------|--------------------------|------------------|-------|
| Non-life insurance provisions | 5                   | -               | -               | -                | -                        | 1                | 6     |
| Life insurance provisions     | 6                   | 9               | 8               | 33               | 18                       | -                | 74    |

*In millions of EUR, for the year ended 31 December 2014*

|                               | Less than<br>1 year | 1 to 3<br>years | 3 to 5<br>years | 5 to 15<br>years | More<br>than 15<br>years | Non<br>specified | Total |
|-------------------------------|---------------------|-----------------|-----------------|------------------|--------------------------|------------------|-------|
| Non-life insurance provisions | 6                   | -               | -               | -                | -                        | 2                | 8     |
| Life insurance provisions     | 5                   | 8               | 9               | 32               | 15                       | -                | 69    |

**PPF Group N.V.***Notes to the consolidated financial statements for the year ended 31 December 2015*

The following table shows the roll-forward of policyholder claims (RBNS and IBNR):

*In millions of EUR*

|                                                                                      | before<br>2010 | 2010     | 2011     | 2012     | 2013      | 2014     | 2015     | Total     |
|--------------------------------------------------------------------------------------|----------------|----------|----------|----------|-----------|----------|----------|-----------|
| <b>Estimated ultimate cumulative claims costs</b>                                    |                |          |          |          |           |          |          |           |
| at the end of underwriting year                                                      | 4              | 4        | 4        | 7        | 16        | 9        | 5        |           |
| one year later                                                                       | 4              | 4        | 4        | 9        | 15        | 7        |          |           |
| two years later                                                                      | 4              | 4        | 4        | 8        | 11        |          |          |           |
| three years later                                                                    | 4              | 3        | 4        | 6        |           |          |          |           |
| four years later                                                                     | 3              | 3        | 3        |          |           |          |          |           |
| five years later                                                                     | 3              | 2        |          |          |           |          |          |           |
| six years later                                                                      | 3              |          |          |          |           |          |          |           |
| <b>Estimated ultimate cumulative claims costs at the end of the reporting period</b> | <b>3</b>       | <b>2</b> | <b>3</b> | <b>6</b> | <b>11</b> | <b>7</b> | <b>5</b> | <b>37</b> |
| <b>Cumulative claim payments</b>                                                     |                |          |          |          |           |          |          |           |
| at the end of underwriting year                                                      | 3              | 2        | 2        | 5        | 8         | 5        | 3        |           |
| one year later                                                                       | 3              | 3        | 3        | 7        | 12        | 5        |          |           |
| two years later                                                                      | 3              | 3        | 3        | 7        | 9         |          |          |           |
| three years later                                                                    | 3              | 3        | 3        | 6        |           |          |          |           |
| four years later                                                                     | 3              | 3        | 3        |          |           |          |          |           |
| five years later                                                                     | 3              | 2        |          |          |           |          |          |           |
| six years later                                                                      | 3              |          |          |          |           |          |          |           |
| <b>Cumulative payments to date</b>                                                   | <b>3</b>       | <b>2</b> | <b>3</b> | <b>6</b> | <b>9</b>  | <b>5</b> | <b>3</b> | <b>31</b> |
| Provision recognised in the statement of financial position                          |                |          |          |          | 2         | 2        | 2        | 6         |
| Provisions for outstanding claims                                                    |                |          |          |          |           |          |          | 6         |

**E.20. Trade and other payables**

Other liabilities comprise the following:

*In millions of EUR, as at 31 December*

|                                      | 2015         | 2014         |
|--------------------------------------|--------------|--------------|
| Settlements with suppliers           | 902          | 842          |
| Wages and salaries                   | 112          | 92           |
| Social security and health insurance | 28           | 20           |
| Other taxes payable                  | 68           | 69           |
| Finance lease liabilities            | 5            | 9            |
| Accrued expenses                     | 44           | 38           |
| Deferred income                      | 88           | 110          |
| Advance received                     | 33           | 51           |
| Customer loan overpayments           | 30           | 30           |
| Deferred acquisition payment         | -            | 315          |
| Other                                | 126          | 99           |
| <b>Total other liabilities</b>       | <b>1,436</b> | <b>1,675</b> |

In 2014, the deferred acquisition payment represented the net present value of the deferred payment for the acquisition of O2 CR, initially payable in equal instalments up to January 2018 (refer to B.2.2.1). The outstanding amount was fully repaid in 2015.

The “Other” category includes clearing accounts of PPF banka in an amount of MEUR 110 (2014: MEUR 72).

**E.20.1. Finance lease liabilities**

Finance lease liabilities comprise the following:

*In millions of EUR, as at 31 December 2015*

|                                        | Payments  | Interest  | Finance lease liabilities |
|----------------------------------------|-----------|-----------|---------------------------|
| Finance lease liabilities:             |           |           |                           |
| less than one year                     | 2         | 1         | 1                         |
| between one and five years             | 3         | 2         | 1                         |
| more than five years                   | 13        | 10        | 3                         |
| <b>Total finance lease liabilities</b> | <b>18</b> | <b>13</b> | <b>5</b>                  |

*In millions of EUR, as at 31 December 2014*

|                                        | Payments  | Interest  | Finance lease liabilities |
|----------------------------------------|-----------|-----------|---------------------------|
| Finance lease liabilities:             |           |           |                           |
| less than one year                     | 2         | 1         | 1                         |
| between one and five years             | 4         | 3         | 1                         |
| more than five years                   | 24        | 17        | 7                         |
| <b>Total finance lease liabilities</b> | <b>30</b> | <b>21</b> | <b>9</b>                  |

**E.21. Capital issued**

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

The following table provides details of authorised and issued shares:

|                                        | 2015    | 2014    |
|----------------------------------------|---------|---------|
| Number of shares authorised            | 250,000 | 250,000 |
| Number of shares issued and fully paid | 62,401  | 66,738  |
| Par value per share                    | EUR 10  | EUR 10  |

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

On 1 May 2015, the Group cancelled 6.5% shares held as treasury shares. The effective ownership stake of the Group's shareholders, as stated in section A, did not change.

**E.22. Reserves****E.22.1. Available-for-sale reserve**

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

**E.22.2. Legal and statutory reserves**

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

**E.22.3. Currency translation reserve**

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 the shareholders.

**E.22.4. Cash flow hedge reserve**

The cash flow hedge reserve represents the effect of the recognition of the effective portion of changes in the fair value of hedging instruments in other comprehensive income in equity. The cash flow hedge reserve is not available for distribution to the shareholders.

**E.23. Non-controlling interests**

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

| Name of subsidiary*                       | Abbr. | Applicable | Country of incorporation |
|-------------------------------------------|-------|------------|--------------------------|
| O2 Czech Republic a.s. (subgroup)         | O2 CR | 2015/2014  | Czech Republic           |
| Česká telekomunikační infrastruktura a.s. | CETIN | 2015       | Czech Republic           |
| Home Credit B.V. (subgroup)               | HC    | 2015/2014  | Netherlands              |
| Air Bank a.s. (in 2015 part of HC)        | AirB  | 2014       | Czech Republic           |
| PPF banka, a.s.                           | PPFB  | 2015/2014  | Czech Republic           |
| Facipero Investments Ltd. (subgroup)      | FACI  | 2015       | Cyprus                   |
| Velthemia Ltd. (subgroup)                 | VELT  | 2015/2014  | Cyprus                   |
| GIM Ltd.                                  | GIM   | 2014       | Jersey                   |

\*For the place of business, refer to B.1.

The following table summarises the information relating to these subsidiaries:

*In millions of EUR*

| 2015                                                   | O2 CR         | CETIN         | HC                   | AirB          | PPFB         | FACI          | VELT          | Other    | Total       |
|--------------------------------------------------------|---------------|---------------|----------------------|---------------|--------------|---------------|---------------|----------|-------------|
| <b>NCI percentage (ownership)</b>                      | <b>15.94%</b> | <b>5.10%</b>  | <b>11.38%</b>        | <b>-</b>      | <b>7.04%</b> | <b>20.00%</b> | <b>39.93%</b> |          |             |
| Total assets                                           | 1,555         | 3,227         | 9,656                | -             | 3,813        | 767           | 395           |          |             |
| Total liabilities                                      | (552)         | (1,497)       | (8,460)              | -             | (3,542)      | (661)         | (218)         |          |             |
| <b>Net assets</b>                                      | <b>1,003</b>  | <b>1,730</b>  | <b>1,196</b>         | <b>-</b>      | <b>271</b>   | <b>106</b>    | <b>177</b>    |          |             |
| Net assets attributable to NCI of the sub-group        | -             | -             | (5)                  | -             | -            | -             | -             |          |             |
| <b>Net assets attributable to owners of the Parent</b> | <b>1,003</b>  | <b>1,730</b>  | <b>1,191</b>         | <b>-</b>      | <b>271</b>   | <b>106</b>    | <b>177</b>    |          |             |
| Carrying amount of NCI                                 | 160           | 88            | 136                  | -             | 19           | 21            | 71            | 22       | 517         |
| <b>NCI percentage during the period*</b>               | <b>15.27%</b> | <b>11.22%</b> | <b>13.38%/11.38%</b> | <b>13.38%</b> | <b>7.04%</b> | <b>20.00%</b> | <b>39.93%</b> |          |             |
| Revenue                                                | 1,373         | 701           | 2,286                | 69            | 148          | 852           | 57            |          |             |
| Profit/(loss)                                          | 115           | 113           | (42)                 | 8             | 42           | 30            | 5             |          |             |
| Other comprehensive income                             | -             | -             | (83)                 | (6)           | 7            | -             | -             |          |             |
| Total comprehensive income                             | 115           | 113           | (125)                | 2             | 49           | 30            | 5             |          |             |
| Profit/(loss) allocated to NCI**                       | 18            | 13            | (6)                  | 1             | 3            | 6             | 2             | -        | 37          |
| OCI allocated to NCI                                   | -             | -             | 2                    | (1)           | -            | -             | -             | -        | 1           |
| <b>Dividends paid to NCI</b>                           | <b>(22)</b>   | <b>-</b>      | <b>-</b>             | <b>-</b>      | <b>-</b>     | <b>-</b>      | <b>(14)</b>   | <b>-</b> | <b>(36)</b> |

## PPF Group N.V.

### Notes to the consolidated financial statements for the year ended 31 December 2015

\* The NCIs for some subsidiaries changed during the period as follows: O2 CR and CETIN – due to several transactions the average NCI percentage during the period was used; the HC – NCI percentage decreased on 17 June 2015;

\*\* AirB – NCI calculated up to the transfer of the bank to Home Credit B.V. on 30 June 2015; Facipero – the NCI on profit applies from 17 June 2015.

*In millions of EUR*

| 2014                                                   | O2 CR         | HC            | AirB          | PPFB         | GIM          | VELT          | Other      | Total       |
|--------------------------------------------------------|---------------|---------------|---------------|--------------|--------------|---------------|------------|-------------|
| <b>NCI percentage (ownership)</b>                      | <b>16.84%</b> | <b>13.38%</b> | <b>13.38%</b> | <b>7.04%</b> | <b>7.62%</b> | <b>39.93%</b> |            |             |
| Voting rights held by NCI (if different)               | 15.39%        | -             | -             | -            | -            | -             |            |             |
| Total assets                                           | 3,598         | 7,037         | 2,272         | 3,926        | 1,312        | 415           |            |             |
| Total liabilities                                      | (1,000)       | (5,798)       | (2,102)       | (3,711)      | -            | (228)         |            |             |
| <b>Net assets</b>                                      | <b>2,598</b>  | <b>1,239</b>  | <b>170</b>    | <b>215</b>   | <b>1,312</b> | <b>187</b>    |            |             |
| Net assets attributable to NCI of the sub-group        | -             | (4)           | -             | -            | -            | -             |            |             |
| <b>Net assets attributable to owners of the Parent</b> | <b>2,598</b>  | <b>1,235</b>  | <b>170</b>    | <b>215</b>   | <b>1,312</b> | <b>187</b>    |            |             |
| Carrying amount of NCI                                 | 400           | 165           | 23            | 15           | 100          | 75            | 37         | <b>815</b>  |
| <b>NCI percentage during the period*</b>               | <b>28.39%</b> | <b>13.38%</b> | <b>13.38%</b> | <b>7.04%</b> | <b>7.62%</b> | <b>39.93%</b> |            |             |
| Revenue                                                | 1,488         | 2,541         | 156           | 179          | 2            | 25            |            |             |
| Profit/(loss)                                          | 127           | (60)          | 11            | 30           | 2            | 4             |            |             |
| Other comprehensive income                             | -             | (284)         | 16            | 2            | -            | -             |            |             |
| Total comprehensive income                             | 127           | (344)         | 27            | 32           | 2            | 4             |            |             |
| Profit/(loss) allocated to NCI                         | 35            | (8)           | 1             | 2            | -            | 2             | (16)       | <b>16</b>   |
| OCI allocated to NCI                                   | -             | (37)          | 2             | -            | -            | -             | (3)        | <b>(38)</b> |
| <b>Dividends paid to NCI</b>                           | <b>(67)</b>   | <b>-</b>      | <b>-</b>      | <b>-</b>     | <b>-</b>     | <b>-</b>      | <b>(6)</b> | <b>(73)</b> |

## E.24. Net interest income

Interest income comprises the following:

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

|                                                 | 2015         | 2014         |
|-------------------------------------------------|--------------|--------------|
| Financial instruments at FVTPL                  | 14           | 13           |
| Financial instruments available for sale        | 60           | 36           |
| Financial instruments held to maturity          | -            | 1            |
| Due from banks and other financial institutions | 48           | 42           |
| Cash loan receivables                           | 1,143        | 1,450        |
| Consumer loan receivables                       | 520          | 510          |
| Revolving loan receivables                      | 207          | 323          |
| Car loan receivables                            | 21           | 24           |
| Mortgage loan receivables                       | 7            | 9            |
| Loans to corporations                           | 59           | 62           |
| Other                                           | 4            | -            |
| <b>Total interest income</b>                    | <b>2,083</b> | <b>2,470</b> |

**PPF Group N.V.***Notes to the consolidated financial statements for the year ended 31 December 2015*

Interest expense comprises the following:

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

|                                               | 2015         | 2014         |
|-----------------------------------------------|--------------|--------------|
| Due to customers                              | 411          | 399          |
| Due to banks and other financial institutions | 299          | 250          |
| Debt securities issued                        | 42           | 72           |
| Subordinated liabilities                      | 1            | 49           |
| Finance lease liabilities                     | 35           | 1            |
| Other                                         | 14           | 14           |
| <b>Total interest expenses</b>                | <b>802</b>   | <b>785</b>   |
| <b>Total net interest income</b>              | <b>1,281</b> | <b>1,685</b> |

**E.25. Net fee and commission income**

Fee and commission income comprises the following:

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

|                                                     | 2015       | 2014       |
|-----------------------------------------------------|------------|------------|
| Penalty fees                                        | 100        | 127        |
| Insurance commissions                               | 232        | 314        |
| Cash transactions                                   | 24         | 46         |
| Customer payment processing and account maintenance | 41         | 36         |
| Retailers' commissions                              | 27         | 24         |
| Other                                               | 13         | 13         |
| <b>Total fee and commission income</b>              | <b>437</b> | <b>560</b> |

Fee and commission expense comprises the following:

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

|                                            | 2015       | 2014       |
|--------------------------------------------|------------|------------|
| Commissions to retailers                   | 34         | 31         |
| Cash transactions                          | 18         | 23         |
| Payment processing and account maintenance | 30         | 26         |
| Payments to deposit insurance agencies     | 18         | 22         |
| Credit and other register expense          | 10         | 3          |
| Other                                      | 11         | 33         |
| <b>Total fee and commission expense</b>    | <b>121</b> | <b>138</b> |
| <b>Total net fee and commission income</b> | <b>316</b> | <b>422</b> |

**E.26. Net gain/loss on financial assets***In millions of EUR, for the year ended 31 December*

|                                                  | 2015      | 2014     |
|--------------------------------------------------|-----------|----------|
| Net trading income                               | 36        | (24)     |
| Debt securities trading                          | 18        | (7)      |
| Equity securities trading                        | -         | 2        |
| FX trading                                       | 20        | (24)     |
| Derivatives                                      | (2)       | 5        |
| Net gains on financial assets at FVTPL           | 6         | 17       |
| Debt securities                                  | 5         | 14       |
| Other                                            | 1         | 3        |
| Net realised gains/(losses)                      | (3)       | 5        |
| HTM financial assets                             | -         | 1        |
| AFS financial assets                             | 6         | 6        |
| Loans and receivables                            | (12)      | (2)      |
| Financial liabilities measured at amortised cost | 3         | -        |
| Dividends                                        | 1         | 8        |
| Other income/(expenses) from financial assets    | (3)       | -        |
| <b>Total net gain/(loss) on financial assets</b> | <b>37</b> | <b>6</b> |

**E.27. Net impairment losses on financial assets***In millions of EUR, for the year ended 31 December*

|                                                        | 2015       | 2014         |
|--------------------------------------------------------|------------|--------------|
| Financial instruments available for sale               | (4)        | 5            |
| Cash loan receivables                                  | 463        | 781          |
| Consumer loan receivables                              | 170        | 233          |
| Revolving loan receivables                             | 137        | 240          |
| Car loan receivables                                   | 2          | 3            |
| Mortgage loan receivables                              | 4          | 2            |
| Loans to corporations                                  | (14)       | 17           |
| <b>Total net impairment losses on financial assets</b> | <b>758</b> | <b>1,281</b> |

**E.28. Insurance income***In millions of EUR, for the year ended 31 December 2015*

|                                                                               | Non-life  | Life     | Total     |
|-------------------------------------------------------------------------------|-----------|----------|-----------|
| Gross earned premiums                                                         | 108       | 40       | 148       |
| Gross premiums written                                                        | 32        | 40       | 72        |
| Change in the provisions for unearned premiums                                | 76        | -        | 76        |
| Earned premiums ceded                                                         | (1)       | -        | (1)       |
| Ceded reinsurance premiums                                                    | (1)       | -        | (1)       |
| Net insurance benefits and claims                                             | (4)       | (28)     | (32)      |
| Claims paid                                                                   | (5)       | (12)     | (17)      |
| Change in provisions for outstanding claims                                   | 1         | (1)      | -         |
| Change in mathematical provisions                                             | -         | (11)     | (11)      |
| Change in life provisions for profit participation allocated to policyholders | -         | (4)      | (4)       |
| Acquisition cost                                                              | (50)      | (10)     | (60)      |
| <b>Total insurance income</b>                                                 | <b>53</b> | <b>2</b> | <b>55</b> |

**PPF Group N.V.****Notes to the consolidated financial statements for the year ended 31 December 2015***In millions of EUR, for the year ended 31 December 2014*

|                                                                               | Non-life  | Life      | Total     |
|-------------------------------------------------------------------------------|-----------|-----------|-----------|
| Gross earned premiums                                                         | 194       | 50        | 244       |
| Gross premiums written                                                        | 73        | 50        | 123       |
| Change in the provisions for unearned premiums                                | 121       | -         | 121       |
| Earned premiums ceded                                                         | (3)       | -         | (3)       |
| Ceded reinsurance premiums                                                    | (1)       | -         | (1)       |
| Change in the provisions for unearned premiums                                | (2)       | -         | (2)       |
| Net insurance benefits and claims                                             | (23)      | (12)      | (35)      |
| Claims paid                                                                   | (6)       | (11)      | (17)      |
| Change in provisions for outstanding claims                                   | (1)       | (1)       | (2)       |
| Change in mathematical provisions                                             | (16)      | -         | (16)      |
| Change in life provisions for profit participation allocated to policyholders | 1         | -         | 1         |
| Change in other provisions                                                    | (1)       | -         | (1)       |
| Acquisition cost                                                              | (109)     | (17)      | (126)     |
| <b>Total insurance income</b>                                                 | <b>59</b> | <b>21</b> | <b>80</b> |

**E.29. Net rental and related income***In millions of EUR, for the year ended 31 December*

|                                            | 2015       | 2014      |
|--------------------------------------------|------------|-----------|
| Gross rental income                        | 131        | 78        |
| Service income                             | 10         | 4         |
| Service charge income                      | 17         | 16        |
| Service charge expense                     | (11)       | (9)       |
| <b>Total net rental and related income</b> | <b>147</b> | <b>89</b> |

**E.30. Net telecommunication income**

Telecommunication income comprises the following:

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

|                                  | 2015         | 2014         |
|----------------------------------|--------------|--------------|
| Revenues from voice services     | 865          | 789          |
| Revenues from data services      | 419          | 379          |
| Other telecommunication services | 386          | 320          |
| <b>Telecommunication income</b>  | <b>1,670</b> | <b>1,488</b> |

Telecommunication expenses comprise the following:

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

|                                     | 2015         | 2014         |
|-------------------------------------|--------------|--------------|
| Interconnection and roaming         | 363          | 298          |
| Cost of goods sold                  | 104          | 72           |
| Commissions                         | 46           | 43           |
| Sub-deliveries                      | 35           | 26           |
| Other costs                         | 35           | 34           |
| <b>Telecommunication expenses</b>   | <b>583</b>   | <b>473</b>   |
| <b>Net telecommunication income</b> | <b>1,087</b> | <b>1,015</b> |

**E.31. Net agricultural income***In millions of EUR, for the year ended 31 December*

|                                           | 2015     | 2014     |
|-------------------------------------------|----------|----------|
| Sales of goods                            | 23       | 25       |
| Cost of sales                             | (16)     | (22)     |
| Other revenue                             | 1        | 1        |
| Change in fair value of biological assets | (1)      | (3)      |
| <b>Total net agriculture income</b>       | <b>7</b> | <b>1</b> |

**E.32. Other income***In millions of EUR, for the year ended 31 December*

|                                                                      | 2015      | 2014      |
|----------------------------------------------------------------------|-----------|-----------|
| Rental income                                                        | 22        | 22        |
| Other retail income – sublease charges                               | 4         | 9         |
| Gain on disposal of property, plant, equipment and intangible assets | 3         | 1         |
| Negative goodwill                                                    | -         | 13        |
| Other                                                                | 44        | 41        |
| <b>Total other income</b>                                            | <b>73</b> | <b>86</b> |

**E.33. General administrative expenses***In millions of EUR, for the year ended 31 December*

|                                                        | 2015         | 2014         |
|--------------------------------------------------------|--------------|--------------|
| Employee compensation                                  | 683          | 730          |
| Payroll related taxes (including pension contribution) | 166          | 166          |
| Advertising and marketing                              | 92           | 112          |
| Professional services                                  | 78           | 76           |
| Telecommunication and postage                          | 59           | 76           |
| Travel expenses                                        | 23           | 23           |
| Taxes other than income tax                            | 71           | 42           |
| Information technologies                               | 105          | 113          |
| Rental, maintenance and repair expense                 | 261          | 341          |
| Distribution, transport and storage of goods           | 26           | 40           |
| Collection agency fee                                  | 32           | 21           |
| Other                                                  | 106          | 174          |
| <b>Total general administrative expenses</b>           | <b>1,702</b> | <b>1,914</b> |

The average rounded number of employees during the year 2015 was 85,000 (2014: 83,000), of which 8 employees were employed in the Netherlands (2014: 10 employees).

**E.34. Other operating expenses***In millions of EUR, for the year ended 31 December*

|                                                                       | 2015       | 2014       |
|-----------------------------------------------------------------------|------------|------------|
| Depreciation of property, plant and equipment                         | 249        | 313        |
| Amortisation of intangible assets                                     | 235        | 188        |
| Net impairment losses on goodwill                                     | -          | 18         |
| Net impairment losses on other intangible assets                      | (17)       | 4          |
| Net impairment losses on property, plant and equipment                | 6          | 13         |
| Net impairment losses on trading property                             | (1)        | 3          |
| Loss on disposal of property, plant, equipment, and intangible assets | 12         | 9          |
| Net impairment (gains)/losses on other assets                         | 10         | 11         |
| Loss on monetary position                                             | -          | 3          |
| Foreign currency losses                                               | 137        | 192        |
| <b>Total other operating expenses</b>                                 | <b>631</b> | <b>754</b> |

“Loss on monetary position” in 2014 represents the effect of the application of IAS 29 – Financial Reporting in Hyperinflationary Economies on Home Credit Bank (OJSC), which is incorporated in the Republic of Belarus.

**E.35. Operating leases****E.35.1. Lessee**

Under operating leases, the Group mainly leases shops within the Eldorado business, as well as a few office buildings. The leases typically run for an initial period of between one and five years, with an option to renew the lease after that date. Rents are adjusted annually to reflect prevailing market rates.

The table below shows payables in respect of non-cancellable operating leases:

*In millions of EUR, as at 31 December*

|                                                                      | 2015       | 2014       |
|----------------------------------------------------------------------|------------|------------|
| Less than one year                                                   | 143        | 167        |
| Between one and five years                                           | 281        | 313        |
| More than five years                                                 | 165        | 172        |
| <b>Total payables in respect of non-cancellable operating leases</b> | <b>589</b> | <b>652</b> |

The lease and sublease payments recognised as expenses in the income statement were as follows:

*In millions of EUR, as at 31 December*

|                                          | 2015       | 2014       |
|------------------------------------------|------------|------------|
| Minimum lease payments                   | 173        | 237        |
| Contingent rent                          | 1          | 3          |
| Sublease payments                        | (1)        | (1)        |
| <b>Total lease and sublease payments</b> | <b>173</b> | <b>239</b> |

**E.35.2. Lessor**

As a lessor, the Group leases mainly office and retail premises. The following table shows minimum lease payments under non-cancellable operating leases:

*In millions of EUR, as at 31 December*

|                                                                             | 2015       | 2014       |
|-----------------------------------------------------------------------------|------------|------------|
| Less than one year                                                          | 78         | 107        |
| Between one and five years                                                  | 293        | 342        |
| More than five years                                                        | 332        | 489        |
| <b>Future minimum lease payments under non-cancellable operating leases</b> | <b>703</b> | <b>938</b> |

**E.36. 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*

|                                            | 2015<br>Fair value of<br>underlying<br>assets | 2015<br>Carrying<br>amount of<br>corresponding<br>liabilities | 2014<br>Fair value of<br>underlying<br>assets | 2014<br>Carrying<br>amount of<br>corresponding<br>liabilities |
|--------------------------------------------|-----------------------------------------------|---------------------------------------------------------------|-----------------------------------------------|---------------------------------------------------------------|
| Financial assets at FVTPL                  | 224                                           | 223                                                           | 71                                            | 67                                                            |
| Financial assets available for sale        | 10                                            | 10                                                            | 110                                           | 102                                                           |
| Financial assets held to maturity          | 2                                             | 2                                                             | -                                             | -                                                             |
| Investment in associates                   | 302                                           | 186                                                           | 302                                           | 166                                                           |
| Financial assets received in reverse repos | -                                             | -                                                             | 160                                           | 163                                                           |
| <b>Total assets</b>                        | <b>538</b>                                    | <b>421</b>                                                    | <b>643</b>                                    | <b>498</b>                                                    |

“Financial assets as off-balance sheet item” is the portion of financial instruments received under reverse repos (see below) that were subsequently sold under repos.

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*

|                                 | 2015<br>Fair value<br>of assets<br>received as<br>collateral<br>(total) | 2015<br>of which:<br>Fair value<br>of assets<br>repledged<br>or sold | 2015<br>Carrying<br>amount of<br>receivables | 2014<br>Fair value<br>of assets<br>received as<br>collateral<br>(total) | 2014<br>of which:<br>Fair value<br>of assets<br>repledged<br>or sold | 2014<br>Carrying<br>amount of<br>receivables |
|---------------------------------|-------------------------------------------------------------------------|----------------------------------------------------------------------|----------------------------------------------|-------------------------------------------------------------------------|----------------------------------------------------------------------|----------------------------------------------|
| Loans and advances to banks     | 161                                                                     | 68                                                                   | 149                                          | 328                                                                     | 326                                                                  | 330                                          |
| Loans and advances to non-banks | 38                                                                      | -                                                                    | 26                                           | 65                                                                      | -                                                                    | 52                                           |
| <b>Total loans and advances</b> | <b>199</b>                                                              | <b>68</b>                                                            | <b>175</b>                                   | <b>393</b>                                                              | <b>326</b>                                                           | <b>382</b>                                   |

**E.37. Off-balance sheet items****E.37.1. 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 in order to meet their short-term obligations as well as their long-term financing needs. Such credit facilities can take the form of guarantees, whereby the Group might guarantee repayment of a loan taken out by a client with a third party; stand-by letters of credit which are credit enhancement facilities enabling customers to engage in trade finance at lower cost; documentary letters of credit for obtaining lower cost financing for foreign trade on behalf of a customer; documentary letters of credit reimbursable to a Group company later and debt facilities and revolving underwriting facilities that allow customers to issue short or medium-term debt instruments without engaging in the normal underwriting process on each occasion. Revenue from the guarantees provided is recognised under “Fee and commission income” and is determined by applying the agreed rates to the nominal amount of the guarantees.

*In millions of EUR, as at 31 December*

|                                                     | 2015       | 2014         |
|-----------------------------------------------------|------------|--------------|
| Loan commitments                                    | 770        | 807          |
| Revolving loan commitments                          | 525        | 570          |
| Consumer loan commitments                           | 42         | 34           |
| Cash loan commitments                               | 10         | 11           |
| Undrawn overdraft facilities                        | 60         | 76           |
| Term loan facilities                                | 133        | 116          |
| Capital expenditure commitments                     | 55         | 67           |
| Guarantees provided                                 | 135        | 337          |
| Non-payment guarantees                              | 52         | 75           |
| Non-revocable letters of credit                     | 1          | 2            |
| Payment guarantees                                  | 82         | 260          |
| <b>Total commitments and contingent liabilities</b> | <b>960</b> | <b>1,211</b> |

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

The following table shows secured liabilities:

*In millions of EUR, as at 31 December*

|                                  | 2015         | 2014         |
|----------------------------------|--------------|--------------|
| Secured bank loans               | 4,522        | 3,531        |
| Debt securities issued           | 62           | 73           |
| <b>Total secured liabilities</b> | <b>4,584</b> | <b>3,604</b> |

The secured bank loans include a loan to the Ryazan project (refer to E.16) which is not fully covered by the investment property pledged: the fair value of the property in 2015 was MEUR 53 lower (2014: MEUR 33 lower).

The assets pledged as security were as follows:

*In millions of EUR, as at 31 December*

|                                                                       | 2015         | 2014         |
|-----------------------------------------------------------------------|--------------|--------------|
| Cash and cash equivalents                                             | 2            | 30           |
| Financial assets at fair value through profit and loss (repos)        | 224          | 71           |
| Financial assets available for sale (repos)                           | 10           | 110          |
| Financial assets held to maturity (repos)                             | 2            | -            |
| Loans and receivables due from banks and other financial institutions | 38           | 1            |
| Loans and receivables due from customers                              | 1,074        | 181          |
| Inventories                                                           | 161          | 84           |
| Investment in associates (repos)                                      | 302          | 302          |
| Investments in associates (held for sale)                             | -            | 1,144        |
| Investment property                                                   | 1,284        | 1,097        |
| Property, plant and equipment                                         | 1,056        | 79           |
| Financial assets as off-balance sheet items (repos)                   | -            | 160          |
| <b>Total assets pledged as security</b>                               | <b>4,153</b> | <b>3,259</b> |

In 2014 a significant portion of secured liabilities was attributable to the Calyon facility, secured by a share in Generali PPF Holding (2014: held-for-sale asset).

In addition, the Group pledges certain shares in O2 CR and CETIN. As of 31 December 2015, a 60.27% share in O2 CR and a 84.73% share in CETIN were used as collateral for several funding facilities (refer to E.16). As of 31 December 2014, the whole stake in O2 CR (before the demerger) was pledged.

### **E.37.2. Other contingencies**

#### *E.37.2.1. 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. Based on legal analyses carried out by external legal counsel, management believes that it is unlikely that this case will be concluded in favour of the plaintiffs.

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

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

On 28 March 2011, VOLNÝ, a.s. filed a legal action with the Municipal Court in Prague against O2 CR for an amount exceeding MEUR 146, regarding alleged abuse of a dominant

position in the market of broadband internet access for households via ADSL technology. Allegedly, this is due to a margin squeeze applied by O2 CR on the fixed broadband market. O2 CR replied to the petition in July 2011 by noting that both the claim and the calculations submitted by the claimant were unsubstantiated and by pointing at discrepancies in the petition claims. The court started hearings of this case and the hearings continued in 2013, including hearings of experts and witnesses. The most recent hearing took place in February 2014, when the court indicated that a revised expert opinion might be considered by the court. The exact wording of the question for the expert is yet not known.

A legal action for MEUR 113, filed by České Radiokomunikace a.s. (ČRa), was served on O2 CR in October 2012. The claimant states that O2 CR allegedly caused it damage by abusing a dominant position on the xDSL market, thereby impacting ČRa's ability to reach an "equitable position on the retail xDSL market". On 7 February 2013, the Municipal Court in Prague interrupted the proceedings pending the end of the administrative proceedings held by the Office for the Protection of Competition. After O2 CR appealed, the High Court in Prague changed the decision in June 2013 and ordered the resumption of the proceedings. ČRa filed an extraordinary appeal but it was declined by the Supreme Court on 29 April 2014. Therefore the court will have to decide on the merits without waiting for the outcome of the proceedings led by the Office. Oral hearings took place in October and November 2014 and January 2015, where all evidence on paper was put forward. At a further hearing in April 2016, the Municipal court in Prague dismissed the ČRa legal action in its entirety because of a lack of facts and evidence to support the claim in the legal action.

The legal action under which Vodafone Czech Republic a.s. claimed MEUR 14 was served on O2 CR on 2 April 2015. Vodafone Czech Republic a.s. claims that O2 CR allegedly breached the competition rules regarding broadband internet connection via xDSL technology during the years 2009 to 2014. The legal action was filed less than a week after the two-page pre-litigation letter had been delivered to O2 CR. According to O2 CR, the legal action is an artificially created case primarily aimed at damaging O2 CR with adverse media coverage. Vodafone Czech Republic a.s. claims that lost profit was caused by the failure to acquire 200,000 xDSL customers. O2 CR sent a statement to the court pointing out that the legal action was not based on the facts. An oral hearing has yet to be scheduled.

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

#### *E.37.2.2. Taxation*

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

The facts mentioned above may create tax risks in the respective countries that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities and that outstanding tax receivables are recoverable

based on its interpretations of applicable tax legislation, official pronouncements and court decisions within each country in question.

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

### **E.37.3. Guarantee received and off-balance sheet assets**

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

*In millions of EUR, as at 31 December*

|                                                          | 2015         | 2014         |
|----------------------------------------------------------|--------------|--------------|
| Guarantees received                                      | 227          | 556          |
| Loan commitments received                                | 377          | 100          |
| Value of assets received as collateral (including repos) | 1,011        | 1,012        |
| <b>Total contingent assets</b>                           | <b>1,615</b> | <b>1,668</b> |

## **E.38. Related parties**

### **E.38.1. Identity of related parties**

The Group has a related party relationship with its associates, joint ventures and non-consolidated subsidiaries.

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

The key management personnel of the Group comprises members of the Board of Directors and key executive officers.

### **E.38.2. Transactions with governing bodies and executive officers**

Income of the governing bodies and key executive officers received from the Group:

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

|                                          | 2015 | 2014 |
|------------------------------------------|------|------|
| Board of Directors of the Parent Company | 0.5  | 0.5  |
| Key executive officers                   | 26   | 31   |

The income includes financial and non-financial income as follows:

Financial income includes all financial income that has been accepted by a member of a board from the Group during the financial year (especially allowances provided for membership of statutory bodies, salaries, wages, bonuses and benefits, income under other arrangements and group life insurance).

Non-financial income includes all non-monetary income (benefits) that has been accepted by a member of a board from the Group during the financial year.

**E.38.3. Transactions with associates**

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

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

|                                     | 2015     | 2014        |
|-------------------------------------|----------|-------------|
| Interest income                     | 2        | 3           |
| Fee and commission income           | -        | 1           |
| Net gain/(loss) on financial assets | (1)      | 5           |
| Rental and related income           | -        | 1           |
| Operating income                    | -        | 1           |
| <b>Total revenue</b>                | <b>1</b> | <b>11</b>   |
| Interest expense                    | -        | (7)         |
| Fee and commission expense          | -        | (2)         |
| Net earned premiums                 | -        | (1)         |
| Operating expense                   | -        | (1)         |
| <b>Total expense</b>                | <b>-</b> | <b>(11)</b> |

At the reporting date the Group had the following balances with associates and joint ventures:

*In millions of EUR, as at 31 December*

|                               | 2015      | 2014         |
|-------------------------------|-----------|--------------|
| Financial assets at FVTPL     | -         | 5            |
| Loans due from customers      | 36        | 33           |
| Trade and other receivables   | -         | 3            |
| Property, plant and equipment | -         | 2            |
| Other assets                  | -         | 13           |
| <b>Total assets</b>           | <b>36</b> | <b>56</b>    |
| Due to non-banks              | -         | (187)        |
| Debt securities issued        | -         | (175)        |
| <b>Total liabilities</b>      | <b>-</b>  | <b>(362)</b> |

**E.38.4. Other related parties including key management personnel**

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

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

|                                     | 2015        | 2014        |
|-------------------------------------|-------------|-------------|
| Interest income                     | 21          | 18          |
| Other income                        | 1           | 1           |
| <b>Total revenue</b>                | <b>22</b>   | <b>19</b>   |
| Net gain/(loss) on financial assets | -           | (3)         |
| General administrative expenses     | (14)        | (14)        |
| <b>Total expenses</b>               | <b>(14)</b> | <b>(17)</b> |

**PPF Group N.V.***Notes to the consolidated financial statements for the year ended 31 December 2015*

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

*In millions of EUR, as at 31 December*

|                             | 2015       | 2014       |
|-----------------------------|------------|------------|
| Loans due from customers    | 366        | 322        |
| Trade and other receivables | -          | 1          |
| Intangible assets           | 4          | 3          |
| <b>Total assets</b>         | <b>370</b> | <b>326</b> |
| Due to non-banks            | (4)        | (5)        |
| Trade and other payables    | (5)        | (3)        |
| <b>Total liabilities</b>    | <b>(9)</b> | <b>(8)</b> |

In December 2014, the Group acquired 1.5% of treasury shares from the controlling shareholder for MEUR 109. Refer also to B.2.3, B.2.4. and B.3.1 for other related-party transactions.

## **F. Significant accounting policies**

### ***F.1. Significant accounting policies***

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

#### **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 (“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 available-for-sale equity investments which are recognised in other comprehensive income (except for impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss).

##### ***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. In order to harmonise the foreign exchange rates used across the group entities, the Group uses the rouble/euro exchange rate as published by the Central Bank of Russia for the translation of the current year end balances.

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

Income and expenses of foreign operations in hyperinflationary economies (Belarus until 2014) are translated to euro at the exchange rates prevailing at the reporting date. Prior to translation, their financial statements for the current year are restated to account for changes in the general purchasing power of the local currency. The restatement is based on relevant price indices at the reporting date.

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.

From 2011 to 2014, the Belarusian ruble (BYR) was identified as a currency of a hyperinflationary economy. Therefore, the requirements of IAS 29 – Financial Reporting in Hyperinflationary Economies were applied to the Belarusian subsidiary Home Credit Bank OJSC.

#### **F.1.2. Cash and cash equivalents**

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Mandatory minimum reserves as the part of balances with central banks are classified under loans and receivables due to banks.

#### **F.1.3. Financial assets**

Financial assets include financial assets at fair value through profit or loss, financial assets available for sale, financial assets held to maturity, loans and receivables, cash and cash equivalents.

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 trade date accounting. Financial instruments, with the exception of financial instruments at fair value through profit or loss, 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.

##### *F.1.3.1. Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading or non-trading financial assets that are designated, upon initial recognition, as financial assets at fair value through profit or loss.

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 fair value through profit or loss.

Subsequent to initial recognition, all financial assets at fair value through profit or loss 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 fair value through profit or loss are recognised in the income statement.

*F.1.3.2. Financial assets available for sale*

Available-for-sale financial assets are non-derivative financial assets that are not classified as other categories of financial assets. Available-for-sale investments comprise equity securities and debt securities.

After initial recognition, the Group measures financial assets available for sale at their fair values, with the exception of instruments that do not have a quoted market price on an active market and whose fair value cannot be reliably measured. The latter are stated at cost, including transaction costs, less impairment losses.

Any revaluation gain or loss on a financial asset available for sale is recognised in other comprehensive income with the exception of impairment losses and, in the case of monetary items such as debt securities, foreign exchange gains and losses. When available-for-sale assets are derecognised, the cumulative gain or loss previously recognised in equity is recognised in the income statement. Where these instruments are interest-bearing, interest calculated using the effective interest rate method is recognised in the income statement.

*F.1.3.3. Financial assets held to maturity*

Held-to-maturity assets are financial assets with fixed or determinable payments and fixed maturity which the Group has the positive intent and ability to hold to maturity.

Financial assets held to maturity are stated at amortised cost less any impairment losses. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees.

The fair value of an individual security within the held-to-maturity portfolio can temporarily fall below its carrying value. However, provided there is no risk that the security may be impaired, the security in question is not written down in such a case.

**F.1.3.4. Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market, other than those classified as at fair value through profit or loss or classified as available for sale.

Loans and receivables are measured at amortised cost using the effective interest rate method and are reported net of allowances for loan losses to reflect the estimated recoverable amounts.

**F.1.3.5. 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 as either assets held for trading or available for sale, as appropriate. 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.1.3.6. 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.

Property and equipment used by the Group under operating leases, whereby the risks and benefits relating to ownership of the assets remain with the lessor, are not recorded in the Group’s statement of financial position. Payments made under operating leases to the lessor are charged to the income statement over the period of the lease.

**F.1.4. Derivatives and hedge accounting**

At the inception of a financial derivative contract, the Group designates the derivative instrument as either held for trading or hedging.

Hedging derivatives are derivatives that the Group uses to hedge against interest rate and foreign exchange rate risks to which it is exposed as a result of its financial market transactions. The Group designates a derivative as hedging only if the criteria set out under IFRS are met at the designation date, i.e. if, and only if, all of the following conditions are met:

- there is compliance with the Group’s risk management objective and strategy in undertaking the hedge;

- at inception of the hedge there is formal designation and documentation of the hedging relationship which includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk;
- the hedge is expected to be highly effective at inception and throughout the period;
- the effectiveness of the hedge can be reliably measured; and
- changes in the fair value or cash flows of the hedged item are almost fully offset by changes in the fair value or cash flows of the hedging instrument and the results are within a range of 80% to 125%.

Hedging derivatives are accounted for according to the type of hedging relationship, which can be one of the following:

- a hedge of an exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and that could affect profit or loss (fair value hedge); or
- a hedge of an exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and that could affect profit or loss (cash flow hedge).

Changes in the fair value of a derivative that is designated and qualified as a cash flow hedge and that proves to be highly effective in relation to hedged risk are recognised in OCI and they are transferred to the income statement and classified as income or expense in the periods during which the hedged assets and liabilities affect the income statement.

On this basis, the Group hedges the interest rate risk and foreign currency risk associated with selected portfolios of assets or liabilities or individually significant assets or liabilities. The effectiveness of the hedge is regularly tested through prospective and retrospective tests on a quarterly basis. If the hedge no longer meets the criteria for hedge accounting, the hedging instrument expires or is sold, terminated or exercised, the entity revokes the designation and the hedge accounting is discontinued prospectively.

Financial derivatives representing economic hedges under the Group's risk management positions but not qualifying for hedge accounting under the specific rules of IAS 39 are treated as derivatives held for trading.

An embedded derivative is a component of a combined instrument that also includes a non-derivative host contract – with the effect that some of the cash flows or other characteristics of a combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative may be separated from the host contract and accounted for as a separate derivative if, and only if:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- a separate financial instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the host instrument is not measured at fair value with changes in fair value recognised in profit or loss or the host instrument is measured at fair value, but changes in fair value are recognised in the statement of financial position.

**F.1.5. Impairment**

*F.1.5.1. Non-derivative financial assets*

Financial assets not classified as at fair value through profit or loss, including an interest in an equity-accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as default on interest or principal payments;
- the disappearance of an active market for a security; or
- observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets.

The Group considers evidence of impairment for loans, receivables and held-to-maturity securities at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between the loss estimates and the actual loss experience.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Receivables with a short duration are not discounted. Losses are recognised in the income statement and reflected in an allowance account. When the Group determines that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through the income statement.

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve to the income statement. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in the income statement. If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss; otherwise, it is reversed through other comprehensive income.

An impairment loss in respect of an associate or joint venture is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is

recognised in profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

#### *F.1.5.2. 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 portfolio 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 that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the 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, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### **F.1.6. 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.

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.1.7. 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.1.8. Assets held for sale**

Non-current assets (or disposal groups comprising assets and liabilities) we would expect 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 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.1.9. 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.1.10. 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.1.11. Property, plant and equipment**

Property, plant and equipment is stated at 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 the asset to working condition for its intended use. With respect to the construction of the 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 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 50 years |
| Ducts and cables                           | up to 40 years |
| Telecommunication technology and equipment | up to 20 years |
| Vehicles                                   | 5-10 years     |
| Other tangible assets and equipment        | up to 10 years |

Component parts of an asset which 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.

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Property, plant and equipment acquired by way of a finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at the inception of the lease, less accumulated depreciation and impairment losses.

#### **F.1.12. Intangible assets**

##### *F.1.12.1. Goodwill and negative goodwill*

The Group accounts for all business combinations, except business combinations 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. Negative goodwill arising on the acquisition is recognised immediately in the income statement.

In respect of associates, the carrying amount of any goodwill is included in the carrying amount of the investment in the associate.

##### *F.1.12.2. 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 depreciated 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.1.12.3. Present value of future profits from portfolio acquired*

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 the expected future profit recognition. The assumptions used in the development of the PVFP amortisation pattern are consistent with the ones applied in its initial measurement.

*F.1.12.4. 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 at 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.1.12.5. 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 8 years                        |
| Trademark              | indefinite/4 years                   |
| Licences               | 12–20 years                          |
| Customer relationships | 5–12 years                           |
| PVFP                   | 5/35 years (non-life/life portfolio) |
| Other                  | up to 20 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 the 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.1.13. 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.1.13.1. 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.1.13.2. Deferred tax*

A deferred tax position is recognised in cases when temporary differences arise between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for: the initial recognition of goodwill arising from a business combination, the initial recognition of assets or liabilities that affect neither the accounting nor the taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using the tax rates enacted or substantially enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Recognised deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Group offsets deferred income tax assets and deferred income tax liabilities only if it has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income tax levied by the same taxation authority and relate to the same taxable entity.

*F.1.13.3. 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 that were initially recorded, such differences will affect the income tax and deferred tax provisions in the period in which such determination is made.

**F.1.14. 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 fair value through profit or loss.

**F.1.15. 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 amortised cost, 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.1.16. Insurance provisions***F.1.16.1. Provisions for unearned premiums*

Provisions for unearned premiums comprise that part of gross premium revenue attributable to subsequent periods, calculated separately for each insurance contract.

*F.1.16.2. 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.1.16.3. 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 time value of money.

*F.1.16.4. Other insurance provisions*

Other insurance provisions contain all other insurance technical provisions not mentioned above, such as the provision for unexpired risks (also referred to as the "premium deficiency") in non-life insurance, the ageing provision in health insurance, the provision for contractual non-discretionary bonuses in non-life business and other similar provisions.

**F.1.17. Equity**

*F.1.17.1. Repurchase of share capital*

When share capital recognised as equity is repurchased, the amount of the consideration paid, 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.1.17.2. Dividends*

Dividends on share capital are recognised as a liability provided they are declared before the reporting date. Dividends declared after the reporting date are not recognised as a liability but are disclosed in the notes.

*F.1.17.3. 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 that part of the net results of the Group attributable to interests which are not owned, either directly or indirectly through subsidiaries, by the equity holders of the Parent Company.

Losses applicable to the non-controlling interests, including negative other comprehensive income, are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

**F.1.18. 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.1.19. Net fee and commission income**

Fee and commission income arises from financial services provided by the Group including cash management services, payment clearing, investment advice and financial planning, investment banking services, and asset management services. Fee and commission expenses arise on financial services provided to the Group including brokerage services, payment clearing, and asset management services. Fee and commission income and expenses are recognised when the corresponding service is provided or received. A penalty fee is recognised when a penalty is charged to a customer, taking into account its collectability.

The Group acts as an agent for insurance providers offering their insurance products to consumer loan borrowers. Commission income from insurance represents commissions for such agency services received by the Group from such partners. It is not considered to be integral to the overall profitability of consumer loans because it is determined and recognised based on the Group's contractual arrangements with the insurance provider rather than with the borrower, the borrowers have a choice whether to purchase the policy, and the interest

rates for customers with and without the insurance are the same. The Group is not exposed to the insurance risk, 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.

**F.1.20. Net gain/loss on financial assets**

Net gain/loss on financial assets comprises net trading income, net gains on financial assets at fair value through profit or loss 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 fair value through profit or loss that are not held for trading arise from their subsequent measurement at fair value or from their disposal.

A realised gain/loss arises on de-recognition of financial assets other than financial assets at fair value through profit or loss. 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 that had been recognised directly in equity.

Dividends from financial assets are recorded in the income statement once declared and approved by the shareholders’ meeting of the respective company.

**F.1.21. Net insurance premium revenue**

Net insurance premium revenue includes gross premium revenue from direct insurance business and assumed (inwards) reinsurance business, net of premiums ceded to reinsurers.

**F.1.22. Net insurance benefits and claims**

Insurance technical charges include claims (benefit) expenses, the 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.1.23. 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.1.24. 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.1.25. Net income on retail operations**

Sales of goods consist of retail and wholesale revenues from sales of goods and from related services such as loyalty programmes and an additional service programme. Revenue from the sale of goods and the associated cost of sales are recognised in the income statement when the significant risks and rewards of ownership are transferred to the buyer. Sales of goods are decreased by the value of returned goods provided the customers have a right to return the goods during the warranty period. The Group creates provisions for returns of goods.

The Group uses customer loyalty programmes in the retail business. Customers are awarded bonuses (points) for buying goods in the Group's shops. The bonus points are initially recorded at fair value as a decrease in sales of goods and an increase in deferred income. The fair value is based on the discount that the customers will obtain upon redemption of the points in exchange for goods and also reflects the proportion of points expected to be redeemed.

Cost of goods sold includes:

- the value of inventories expensed in the period when revenue from sales is recognised; goods are measured using the weighted average method;
- inventory losses and inventory surpluses;
- changes in allowances for slow-moving and damaged items;
- supplier bonuses received (reduction of cost of goods sold); supplier bonuses are allocated between inventories and cost of goods sold on pro rata basis; and
- repair cost to be incurred after sales (shipment) of goods.

Other income on retail operations includes income specific to the retail business, such as franchise fees and revenues from services rendered to customers.

**F.1.26. Net telecommunication income**

Telecommunication revenue, shown net of value added tax and any discounts, comprises goods sold and services provided. Revenue is measured at the fair value of the consideration received or receivable.

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 made.

Revenue from voice, data and internet services includes a tariff fee component as well as a variable rate. Both wireline and wireless traffic is recognised as revenue as the related service is provided.

The Group offers customers free minutes with their choice of price plan. At the end of the month, unused free minutes can be rolled over to the following month. The Group is not

obliged to reimburse the customer for unused minutes and the option of rolling over any unused minutes is valid for only one month.

The Group recognises revenue for free minutes in the period when the related services are provided and consumed, if material. Any rollover minutes are deferred and recognised when the minutes are used or the option expires.

Revenue arising from prepaid call card is deferred until the customer uses the credit on the card to pay for calls or other services. Revenue from prepaid cards is recognised at the time of usage of airtime and other services.

The mobile segment generates roaming revenue when airtime and other services are used by the mobile segment's customers roaming on partners' networks in other countries and vice versa. Amounts receivable from and payable to roaming partners are netted and settled on a regular basis. Revenue is recognised when services are provided.

Interconnection revenue results from calls and other traffic that originate in other domestic and foreign operators' networks but terminate in or transit the Group's network. Such revenue is recognised in the income statement at the time when the relevant calls are received in the Group's network. The Group pays a proportion of the call revenue it collects from its customers to the other domestic and foreign operators for calls and other traffic originating in the Group's network that use other domestic and foreign operators' networks. Amounts receivable from and payable to other domestic and foreign operators are netted and settled on a regular basis.

#### **F.1.27. 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.1.28. Other income and other expenses**

*F.1.28.1. Income for services rendered*

Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the reporting date. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or associated costs.

*F.1.28.2. Operating lease payments*

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total lease expense.

**F.1.29. General administrative expenses**

General administrative expenses include expenses relating to the running of the Group. These include personnel costs, office rental expenses and other operating expenses. Staff costs include employees' salaries and wages, management remuneration and bonuses, and social insurance.

Within banking operations, administrative expenses include the costs of processing payments, maintaining customer accounts and records, and dealing with customers.

**F.1.30. Pensions**

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.

***F.2. Changes in accounting policies and accounting pronouncements adopted since 1 January 2015***

The following published Standards, Amendments and Interpretations of existing standards are mandatory and relevant for the Group's accounting periods and have been applied by the Group since 1 January 2015:

*Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle (effective from 1 July 2014) and Annual Improvements 2012-2014 Cycle (effective from 1 January 2016)*

In December 2013, the IASB published two Cycles of the Annual Improvements to IFRSs: "2010-2012 Cycle" and "2011-2013 Cycle". The Annual Improvements to IFRSs are part of the annual improvements process to make non-urgent but necessary amendments to IFRS. The new cycles of improvements contain amendments to IFRS 1, IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24, IAS 38 and IAS 40, with consequential amendments to other standards and interpretations. The Annual Improvements "2010-2012 Cycle" were adopted by the EU on 1 February 2015, with early adoption possible. The Annual Improvements "2011-2013 Cycle" were adopted by the EU on 1 January 2015.

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

A number of new Standards, amendments to Standards and Interpretations are not yet effective as of 31 December 2015, and have not been applied in preparing these consolidated financial statements. Of these pronouncements, potentially the following will have an impact on the Group's operations. The Group plans to adopt these pronouncements when they become effective. The Group is in the process of analysing the likely impact on its consolidated financial statements.

***IFRS 9 Financial Instruments (effective from 1 January 2018)***

IFRS 9 is to be issued in phases and is intended ultimately to replace the International Financial Reporting Standard IAS 39 Financial Instruments: Recognition and Measurement. The first phase of IFRS 9 was issued in November 2009 and relates to the classification and measurement of financial assets. The second phase regarding the classification and measurement of financial liabilities was published in October 2010. The third phase of IFRS 9 was issued in November 2013 and relates to general hedge accounting. The standard was finalised and published in July 2014. The final phase relates to a new expected credit loss model for calculating impairment.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9. Given the nature of the Group's operations, this standard is expected to have a pervasive impact on the Group's consolidated financial statements. In particular, calculation of the impairment of financial instruments on an expected credit loss basis is expected to result in a change in the overall level of the impairment allowance.

***IFRS 15 Revenue from Contracts with Customers (effective from 1 January 2017)***

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

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue-Barter Transactions Involving Advertising Services. IFRS 15 has not yet been adopted by the EU.

***IFRS 16 Leases (effective from 1 January 2019)***

In January 2016, IASB issued a new Standard on leases. The standard requires companies to bring most leases on-balance sheet, recognising new assets and liabilities. IFRS 16 eliminates the classification of leases as either operating or finance for lessees and, instead, introduces a single lessee accounting model. This model reflects the fact that leases result in a company obtaining the right to use an asset (the "lease asset") at the start of the lease and, because most lease payments are made over time, also obtaining financing. As a result, the new Standard requires lessees to account for all of their leases in a manner similar to the way finance leases

were treated in the application of IAS 17. IFRS 16 includes two exemptions from recognising assets and liabilities: for (a) short-term leases (i.e. leases of 12 months or less); and (b) leases of low-value items (such as personal computers).

Applying IFRS 16, a lessee will:

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

IFRS 16 has not yet been adopted by the EU.

*Amendments to IAS 1 Disclosure Initiative (effective from 1 January 2016)*

The Amendments to IAS 1 include the following five, narrow-focus improvements to the disclosure requirements contained in the standard.

The guidance on materiality in IAS 1 has been amended to clarify that immaterial information can detract from useful information; materiality applies to the whole of the financial statements as well as to each disclosure requirement in an IFRS.

The guidance on the order of the notes (including the accounting policies) has been amended to remove language from IAS 1 that has been interpreted as prescribing the order of notes to the financial statements and to clarify that entities have flexibility about where they disclose accounting policies in the financial statements.

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

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

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

In January 2016, IASB issued amendments to IAS 12 Income Taxes. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. These Amendments have not yet been adopted by the EU.

*Annual Improvements 2012-2014 Cycle (effective from 1 January 2016)*

In September 2014 the IASB published Annual Improvements to IFRSs 2012-2014 Cycle as part of the annual improvements process to make non-urgent but necessary amendments to IFRS. The new cycle of improvements contains amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34.

## **G. Subsequent events**

### **G.1. CETIN squeeze-out**

On 11 January 2016, as a result of a squeeze-out of minority shareholders, the Group became the sole shareholder of CETIN. The total price for the residual 5.1% stake amounts to MEUR 101, equating to CZK 172.4 per share. The Group started to settle the relevant part of the consideration with eligible individual former shareholders in February.

|             |                                                                                      |
|-------------|--------------------------------------------------------------------------------------|
| Date:       | Signature of the Board of Directors:                                                 |
| 25 May 2016 |  |

***PPF Group N.V.***

*Unconsolidated financial statements for the year ended 31 December 2015*

**PPF GROUP N.V.**

*Unconsolidated financial statements for the year ended 31 December 2015*

# **PPF Group N.V.**

*Unconsolidated financial statements for the year ended 31 December 2015*

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# UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

*In millions of EUR*

|                                                            | Note | 2015         | 2014         |
|------------------------------------------------------------|------|--------------|--------------|
| <b>Assets</b>                                              |      |              |              |
| Investments in subsidiaries, associates and joint ventures | A1   | 4,261        | 4,578        |
| Cash and cash equivalents                                  | A2   | 77           | 729          |
| Receivables and other assets                               | A3   | 1,049        | 1,372        |
| <b>Total assets</b>                                        |      | <b>5,387</b> | <b>6,679</b> |
| <b>Shareholders' equity and liabilities</b>                |      |              |              |
| Issued capital                                             |      | 1            | 1            |
| Share premium                                              |      | 677          | 677          |
| Treasury shares                                            |      | -            | (567)        |
| Other reserves                                             |      | 4,485        | 4,768        |
| <b>Total shareholders' equity</b>                          | A4   | <b>5,163</b> | <b>4,879</b> |
| <b>Liabilities</b>                                         |      |              |              |
| Loans and other liabilities                                | A5   | 224          | 1,800        |
| <b>Total liabilities</b>                                   |      | <b>224</b>   | <b>1,800</b> |
| <b>Total shareholders' equity and liabilities</b>          |      | <b>5,387</b> | <b>6,679</b> |

# UNCONSOLIDATED INCOME STATEMENT

For the year ended 31 December

*In millions of EUR*

|                                          | <b>2015</b> | <b>2014</b> |
|------------------------------------------|-------------|-------------|
| Result of group companies after taxation | 310         | 211         |
| Other results after taxation             | 5           | 145         |
| <b>Net profit for the year</b>           | <b>315</b>  | <b>356</b>  |

## **GENERAL INFORMATION**

Unconsolidated financial statements of PPF Group N.V. (the “Company”) should be read in conjunction with the consolidated financial statements.

### **Accounting principles**

For setting the principles for the recognition and measurement of assets and liabilities and determination of the result for its company financial statements, the Company makes use of the option provided in section 2:362 (8) of the Netherlands Civil Code. 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 are the same as those applied for the consolidated EU-IFRS financial statements. Participating interests, over which significant influence is exercised, are stated on the basis of the equity method. These consolidated EU-IFRS financial statements are prepared according to the standards laid down by the International Accounting Standards Board and endorsed by the European Union (hereinafter referred to as EU-IFRS). Please, refer to section A.3 of the consolidated financial statements.

The accounting policies with regard to presentation and disclosures are in accordance with the financial reporting requirements included in Part 9 of Book 2, of the Netherlands Civil Code. With reference to the income statement of the company, use has been made of the exemption pursuant to Section 402 of Book 2 of the Netherlands Civil Code.

The Board of Directors authorised the unconsolidated financial statements for issue on 25 May 2016.

### **Identification**

PPF Group N.V. was incorporated on 29 December 1994. The objectives of the company are to manage, finance and participate in other companies.

### **Basis of presentation**

All amount are stated in euros (“EUR”), rounded to the nearest million.

### **Result from participating interest**

The result from participating interest consists of the share of the company in the result of the participating interests. Results on transactions, with transfer of assets and liabilities between the company and its participating interests and between participating interests are not recorded if unrealised.

# NOTES TO THE STATEMENT OF FINANCIAL POSITION

## A.1 Investments in subsidiaries, associates and joint ventures

Movements in subsidiaries, associates and joint ventures comprise the following:

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

|                                                                    | 2015         | 2014         |
|--------------------------------------------------------------------|--------------|--------------|
| <b>Opening balance</b>                                             | <b>4,578</b> | <b>6,034</b> |
| Additional investments in group companies, including restructuring | 1,661        | 1,163        |
| Decrease of investments in group companies                         | (670)        | (1,432)      |
| Disposal of group companies                                        | (297)        | (58)         |
| Dividend distribution                                              | (1,297)      | (935)        |
| Other movements in shareholders' equity, other income and expense  | (24)         | (405)        |
| Result of group companies                                          | 310          | 211          |
| <b>Closing balance</b>                                             | <b>4,261</b> | <b>4,578</b> |

For details of the Company's, financial interests and statutory locations refer to note B.1 of the consolidated financial statements.

## A.2 Cash and cash equivalents

Cash and cash equivalents comprise the following:

*In millions of EUR, as at 31 December*

|                                        | 2015      | 2014       |
|----------------------------------------|-----------|------------|
| Bank accounts                          | 77        | 729        |
| <b>Total cash and cash equivalents</b> | <b>77</b> | <b>729</b> |

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

## A.3 Receivables and other assets

The other assets comprise the following:

*In millions of EUR, as at 31 December*

|                                                         | 2015         | 2014         |
|---------------------------------------------------------|--------------|--------------|
| Receivables from the group companies                    | 898          | 1,116        |
| Other loans and receivables                             | 151          | 189          |
| Financial assets available for sale – equity securities | -            | 1            |
| Financial assets available for sale – debt securities   | -            | 66           |
| <b>Total other assets</b>                               | <b>1,049</b> | <b>1,372</b> |

In 2014 the debt securities represent subordinated loan participation notes issued by Home Credit and Finance Bank (a Russian subsidiary). The notes were denominated in USD at the fixed rate 9.375% and the maturity was April 2020.

## **PPF Group N.V.**

### *Notes to the unconsolidated financial statements for the year ended 31 December 2015*

For details on other loans and receivables, refer to note E.5 of the consolidated financial statements.

The following table shows maturity of receivables and loans:

*In millions of EUR, as at 31 December*

|                    | Receivables from the group companies |              | Other loans and receivables |            |
|--------------------|--------------------------------------|--------------|-----------------------------|------------|
|                    | 2015                                 | 2014         | 2015                        | 2014       |
| Less than 1 year   | 878                                  | 647          | 34                          | -          |
| More than one year | 20                                   | 469          | 117                         | 189        |
| <b>Total</b>       | <b>898</b>                           | <b>1,116</b> | <b>151</b>                  | <b>189</b> |

## **A.4 Capital and reserves**

The capital and reserves comprise the following:

*In millions of EUR, as at 31 December*

|                                   | 2015         | 2014         |
|-----------------------------------|--------------|--------------|
| Issued capital                    | 1            | 1            |
| Share premium                     | 677          | 677          |
| Treasury shares                   | -            | (567)        |
| Other reserves                    | 4,485        | 4,768        |
| <i>Out of which</i>               |              |              |
| Legal and statutory reserves      | 44           | 28           |
| Hedging reserve                   | (2)          | 6            |
| Available for sale reserve        | 15           | 21           |
| Translation reserve               | (794)        | (704)        |
| (Statutory) revaluation reserve   | 416          | 371          |
| Retained earnings                 | 4,806        | 5,046        |
| <b>Total shareholders' equity</b> | <b>5,163</b> | <b>4,879</b> |

Information on the legal, revaluation, cash flow hedge and translation reserves are included in note E.22 of the consolidated financial statements. Those categories of equity arise on consolidated level and they are un-distributable. At least MEUR 4,012 (2014: MEUR 4,342) of the retained earnings can be considered as freely distributable. On 1 May 2015, the Company cancelled 6.5% shares held as treasury shares.

The revaluation reserve relates to real estate investments and consists of the cumulative positive (unrealised) revaluations of these investments. The (statutory) revaluation reserve is an un-distributable reserve in accordance with the Dutch Civil Code. As of 31 December 2015 and 2014, the revaluation reserve was determined at property level.

# PPF Group N.V.

Notes to the unconsolidated financial statements for the year ended 31 December 2015

Following tables show the roll-forward of shareholders' equity:

*In millions of EUR, for the year ended 31 December 2015*

|                                                           | Issued capital | Share premium | Treasury shares | Other reserves | Total        |
|-----------------------------------------------------------|----------------|---------------|-----------------|----------------|--------------|
| <b>Balance at 1 January</b>                               | <b>1</b>       | <b>677</b>    | <b>(567)</b>    | <b>4,768</b>   | <b>4,879</b> |
| Change in revaluation of subsidiaries                     | -              | -             | -               | (31)           | (31)         |
| Cancelation of treasury shares                            | -              | -             | 567             | (567)          | -            |
| <b>Total gains/(losses) recognised directly in equity</b> | <b>-</b>       | <b>-</b>      | <b>567</b>      | <b>(598)</b>   | <b>(31)</b>  |
| Net profit for the year                                   | -              | -             | -               | 315            | 315          |
| <b>Balance at 31 December</b>                             | <b>1</b>       | <b>677</b>    | <b>-</b>        | <b>4,485</b>   | <b>5,163</b> |

*In millions of EUR, for the year ended 31 December 2014*

|                                                           | Issued capital | Share premium | Treasury shares | Other reserves | Total        |
|-----------------------------------------------------------|----------------|---------------|-----------------|----------------|--------------|
| <b>Balance at 1 January</b>                               | <b>1</b>       | <b>677</b>    | <b>(458)</b>    | <b>4,842</b>   | <b>5,062</b> |
| Change in revaluation of subsidiaries                     | -              | -             | -               | (430)          | (430)        |
| Acquisition of treasury shares                            | -              | -             | (109)           | -              | (109)        |
| <b>Total gains/(losses) recognised directly in equity</b> | <b>-</b>       | <b>-</b>      | <b>(109)</b>    | <b>(430)</b>   | <b>(539)</b> |
| Net profit for the year                                   | -              | -             | -               | 356            | 356          |
| <b>Balance at 31 December</b>                             | <b>1</b>       | <b>677</b>    | <b>(567)</b>    | <b>4,768</b>   | <b>4,879</b> |

Reconciliation of shareholders' equity to the consolidated equity is as follows:

*In millions of EUR, as at 31 December*

|                                            | 2015         | 2014         |
|--------------------------------------------|--------------|--------------|
| The shareholder's equity                   | 5,163        | 4,879        |
| Non-controlling interests:                 |              |              |
| O2 Czech Republic a.s.                     | 160          | 400          |
| Česká telekomunikační infrastruktura a.s.  | 88           | -            |
| Home Credit B.V.                           | 136          | 165          |
| Velthemia Ltd.                             | 71           | 75           |
| PPF banka a.s.                             | 19           | 15           |
| Facipero Investments Ltd.                  | 21           | -            |
| Sotio N.V.                                 | 4            | 4            |
| GIM Ltd.                                   | -            | 100          |
| Air Bank a.s.                              | -            | 23           |
| Bestsport, a.s. (formerly Bestsport Arena) | -            | 12           |
| Other (mainly real estate projects)        | 18           | 21           |
| <b>Total consolidated equity</b>           | <b>5,680</b> | <b>5,694</b> |

## PPF Group N.V.

### Notes to the unconsolidated financial statements for the year ended 31 December 2015

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

|                                                       | 2015       | 2014       |
|-------------------------------------------------------|------------|------------|
| The Group's net profit                                | 315        | 356        |
| Net profit attributable to non-controlling interests: |            |            |
| O2 Czech Republic a.s.                                | 18         | 35         |
| Česká telekomunikační infrastruktura a.s.             | 13         | -          |
| Home Credit B.V.                                      | (6)        | (8)        |
| Velthemia Ltd.                                        | 2          | 2          |
| PPF banka, a.s.                                       | 3          | 2          |
| Facipero Investments Ltd.                             | 6          | -          |
| GIM Ltd.                                              | 1          | -          |
| Air Bank a.s.                                         | 1          | 1          |
| Sotio N.V.                                            | (2)        | (2)        |
| PPF Partners Ltd.                                     | -          | (7)        |
| Other (mainly real estate projects)                   | 1          | (7)        |
| <b>Consolidated net profit</b>                        | <b>352</b> | <b>372</b> |

#### A.5 Loans and other liabilities

The category comprises the following:

*In millions of EUR, as at 31 December*

|                                                            | 2015       | 2014         |
|------------------------------------------------------------|------------|--------------|
| Loans from group companies (including associates)          | 214        | 477          |
| Financial liabilities at fair value through profit or loss | 9          | 1,256        |
| Other                                                      | 1          | 67           |
| <b>Total other liabilities</b>                             | <b>224</b> | <b>1,800</b> |

On 6 December 2011 the Group concluded a transaction with GIM Ltd, a private equity fund domiciled in Jersey, with the purpose to exchange the future floating amount for a fixed amount over the expected sales result in the investment Generali PPF Holding. Financial liabilities at fair value through profit or loss in 2014 represent the fair value of the floating amount. The maturity of this liability was linked to full disposal of Generali PPF Holding which occurred in January 2015.

The following table shows maturity of loans from group companies:

*In millions of EUR, as at 31 December*

|                    | 2015       | 2014       |
|--------------------|------------|------------|
| Less than 1 year   | 214        | 311        |
| More than one year | -          | 166        |
| <b>Total</b>       | <b>214</b> | <b>477</b> |

The category "Other" comprises only liabilities payable within one year.

## **PPF Group N.V.**

*Notes to the unconsolidated financial statements for the year ended 31 December 2015*

### **A.6 Commitments and contingent liabilities**

Commitments and contingent liabilities comprise the following:

*In millions of EUR, as at 31 December*

|                                                     | 2015     | 2014      |
|-----------------------------------------------------|----------|-----------|
| Revocable loan commitments (within the Group)       | -        | 45        |
| Payment guarantees provided (within the Group)      | -        | 47        |
| <b>Total commitments and contingent liabilities</b> | <b>-</b> | <b>92</b> |

### **A.7 Audit and related services**

PPF Group N.V. and its subsidiaries incurred expenses for the following services provided by KPMG Accountants N.V. and its affiliates:

*In thousands of EUR, as at 31 December*

|                        | 2015<br>KPMG<br>Netherlands | 2014<br>KPMG<br>Netherlands | 2015<br>Other KPMG | 2014<br>Other KPMG |
|------------------------|-----------------------------|-----------------------------|--------------------|--------------------|
| Audit services         | 944                         | 813                         | 3,030              | 3,492              |
| Audit related services | 177                         | 334                         | 645                | 745                |
| Tax advisory           | -                           | -                           | 589                | 220                |
| Other services         | 11                          | 13                          | 702                | 184                |
| <b>Total expenses</b>  | <b>1,132</b>                | <b>1,160</b>                | <b>4,966</b>       | <b>4,641</b>       |

### **A.8 Financial instruments**

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Insurance risk

In the notes to the consolidated financial statements information is included about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

These risks, objectives, policies and processes for measuring and managing risk, and the management of capital apply also to the company financial statements of PPF Group N.V.

### **Fair value**

The fair value of most of the financial instruments stated on the balance sheet, including accounts receivable, securities, cash and cash equivalents, and current liabilities, is close to the carrying amount. For details on fair value principles, refer to C.7 of the consolidated financial statements.

## **PPF Group N.V.**

*Notes to the unconsolidated financial statements for the year ended 31 December 2015*

### **A.9 Share in results from participating interests**

An amount of MEUR 93 (2014: MEUR 17) of share in results from participating interests relates to group companies.

### **A.10 Related parties**

For details of the related parties transactions of the Company, refer to E.38 of the consolidated financial statements.

### **A. 11 Transactions with key management personnel**

For details of transactions with key management personnel, refer to E.38.2 of the consolidated financial statements.

***PPF Group N.V.***

*Other information*

# **OTHER INFORMATION**

Content:

Auditor's report

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Subsidiaries

Post balance sheet events

Cautionary statement with respect to forward-looking statements

***PPF Group N.V.***

*Other information*

**Auditor s' report**



## **Independent auditor's report**

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

### **Report on the financial statements**

We have audited the accompanying financial statements 2015 of PPF Group N.V., Amsterdam, Netherlands. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information. The company financial statements comprise the company balance sheet as at 31 December 2015, the company profit and loss account for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

### **The Board of Directors' responsibility**

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the directors' report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, the Board of Directors is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting

policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion with respect to the consolidated financial statements**

In our opinion, the consolidated financial statements give a true and fair view of the financial position of PPF Group N.V. as at 31 December 2015 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

### **Opinion with respect to the company financial statements**

In our opinion, the company financial statements give a true and fair view of the financial position of PPF Group N.V. as at 31 December 2015 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

### **Report on other legal and regulatory requirements**

Pursuant to the legal requirements under Section 2:393 sub 5 at e and f of the Netherlands Civil Code, we have no deficiencies to report as a result of our examination whether the directors' report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b – h has been annexed. Further, we report that the directors' report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Netherlands Civil Code.

Amstelveen, 25 May 2016

KPMG Accountants N.V.

B.M. Herngreen RA

## **PPF Group N.V.**

*Other information*

### **Profit appropriation**

Profits and Distributions are given by Article 21 of the company's Articles of Associations.

The allocation of profits accrued in a financial year shall be determined by the Shareholders' Body. Distribution of profits shall be made after adoption of the annual accounts if permissible under the law given the contents of the annual accounts. The Shareholders' Body 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 which does not exceed the amount of the Distributable Equity and, if it concerns an interim distribution, the compliance with the requirement is evidenced by an interim statement of assets and liabilities as referred to in section 2:105 subsection 4, of the Dutch Civil Code.

#### **Profit appropriation for the 2015**

The Board of Directors proposes the profit for 2015 to be retained.

#### **Number of employees**

The company had average number of 8 employees during 2015.

## **PPF Group N.V.**

*Other information*

### **Subsidiaries**

The main statutory seats of the Company are in the the Netherlands, Czech Republic, Cyprus, Russia and other Eastern European countries. For details in this respect, please refer to note B.1 of the consolidated statements.

PPF Group has a 100% shareholding in PPF Advisory (UK) Limited, a company registered in England and Wales under company registration number 05539859 and Home Credit Europe Plc., a company registered in England and Wales under company registration number 07744459. Both entities were entitled to, and have opted to take, exemption from the requirement to have an audit of its financial statements for the year ended 31 December 2015 under section 479A of the Companies Act 2006 (UK) relating to subsidiary companies.

### **Post balance sheet events**

For post balance sheet events refer to note G of the consolidated financial statements of PPF Group N.V. for the year ended 31 December 2015.

**PPF Group N.V.**

*Other information*

**Cautionary statement with respect to forward-looking statements**

Certain statements contained in this annual report are statement 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.

