CK HUTCHISON GROUP TELECOM HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

Highlights

	Post-IFRS 16 [1] Basis		
	2020 EUR million	2019 EUR million	Reported currency change
Total Revenue [2]	**10,231**	10,663	-4%
Total EBITDA [2]	**6,229**	4,835	+29%
Total EBIT [2]	**3,612**	2,505	+44%
Profit attributable to ordinary shareholders	**3,235**	1,725	+88%

	Pre-IFRS 16 [1] Basis			
	2020 EUR million	2019 EUR million	Local currencies change	Reported currency change
Total Revenue [2]	**10,231**	10,663	-4%	-4%
Total EBITDA [2]	**5,309**	4,028	+32%	+32%
Total EBIT [2]	**3,512**	2,408	+46%	+46%
Profit attributable to ordinary shareholders	**3,238**	1,748	+85%	+85%

Note 1: The Group believes that the precedent lease accounting standard International Accounting Standard 17 "Leases" ("IAS 17") basis ("Pre-IFRS 16 basis") metrics, which are not intended to be a substitute for, or superior to, the reported metrics on a International Financial Reporting Standard 16 "Leases" basis ("Post-IFRS16 basis"), better reflects management's view of the Group's underlying operational performance. IAS 17 basis metrics financial information is regularly reviewed by management and used for resource allocation, performance assessment and internal decision-making. As a result, the Group has provided an alternative presentation of the Group's EBITDA, EBIT and profit attributable to ordinary shareholders prepared under the Pre-IFRS 16 basis relating to the accounting for leases for the years ended 31 December 2019 and 2020. Unless otherwise specified, the discussion of the Group's operating results in this results announcement is on a Pre-IFRS 16 basis as mentioned above.

Note 2: Total revenue, EBITDA and EBIT include the Group's proportionate share of joint ventures' respective items.

CK Hutchison Group Telecom Key Strategies

Operational strategies

CK Hutchison Group Telecom (the "Group") aims to offer its customers the best network quality and coverage. Key operational strategies include:

Network

In November 2020, an agreement was entered to dispose of the Group's European tower assets for an aggregate consideration of €10 billion. The Group considers the operation and development of tower assets by a dedicated tower operator with proven industrial expertise would result in efficient capital allocation and enhance the strategic focus of all operations. The strategic partnership includes a new build-to-suit program comprising approximately 6,700 new sites. This will further strengthen the passive infrastructure profile and support the accelerated rollout of 5G by the Group's European mobile businesses.

The Group focuses on improving its network through data-centric digitisation to optimise service quality, whilst also increasing overall network coverage to expand market share.

- **UK –** accelerated network rollout has improved network performance with significant reduction in outages, as well as enhanced data download speed. The Group targets to continue its network rollout, including spectrum deployment, transmission technology and launch of new sites, which will improve both outdoor and indoor coverage, voice quality and network speed.
- **Italy –** upon completion of its network site modernisation in the second half of 2019, the Group's network received several awards for the best network in Italy based on independent surveys, providing a strong platform for 5G rollout.
- **Sweden –** ranked as the provider of best customer network quality by an independent network benchmark test for the second year running. During 2020, **3** Sweden continued expanding its network to grow its 4G population coverage to approximately 92%, with over 98% in the most densely populated southern part of the country.
- **Denmark –** ranked second by an independent network quality benchmark in a recent network quality test. At the end of 2020, **3** Denmark's 4G network population coverage is 100%.
- **Austria –** ranked second worldwide in data volume per reported SIM in 2020, as well as recognition as "Global Leader" in video experience by an independent survey.
- **Ireland –** an independent speed test showed **3** Ireland as the highest overall speed score at the end of 2020 with peak data throughput up by 45% in 2020.
- **Hong Kong –** fully deployed ultra-fast, low-latency 5G network in Hong Kong, reaching an extensive territory-wide 5G coverage since the commercial launch of its 5G services in April 2020.

IT platform

The Group focus on its IT transformation program encompasses customer relationship management, retail point-of-sales, billing systems and new product catalogues to enhance customer experience.

- **UK –** PAYG functionalities were launched in 2020 on the new IT systems, with further enhancements and capabilities expected across 2021 as the IT transformation progress matures.
- **Italy –** the IT stacks of the legacy systems were consolidated for the launch of the single Wind Tre brand, with the aim of offering a single user experience to the customers and cost efficiencies. Second brand Very Mobile was also launched on a new digital stack in 2020 to compete with other MVNOs. In addition, business support system transformation project was launched to evolve and consolidate customer relationship management, billing and charging and other functionalities.
- **Sweden –** launched new web-shop with fully cloud-based self-service platform which outperformed all competitors' web-shops during the iPhone launch in 2020. In addition, full salesforce marketing automation platform was added to enhance customer experience. In 2021, **3** Sweden has planned to further enhance and optimise web-shop functionalities, including multiple order handling, online payment services and second brand carrier billing services.
- **Denmark –** similar to Sweden, a brand new accessory web-shop was launched in 2020, as well as implementing carrier billing for its second brand Oister. **3** Denmark is also in the progress of developing B2B functionalities together with **3** Sweden during 2021.
- **Austria –** streamlined IT environment through consolidating billing system of Tele2 Austria into **3** Austria's IT platform.
- **Ireland –** transformation plan went live in Q2 2020, which is a key element in the digital transformation strategy delivering best in class CRM solution, new e-shop, new customer App, allowing greater customer interaction channels and self-serve capabilities.
- **Hong Kong –** HTHKH managed its 5G network through **3**Care initiatives to open up non-telecom services revenue stream covering a digital lifestyle portfolio of healthcare, insurance, direct carrier billing, fintech and corporate solution, successfully monetising its advance network infrastructure and e-commerce advantage.

5G

The Group is actively involved in developing and standardising the fifth generation mobile communications standard. 5G is anticipated to make it possible to operate fixed and mobile communications networks more efficiently and to improve the quality of critical services.

- **Spectrum:** the Group has already obtained sufficient spectrum for 5G in most operations and have launched 5G services in all markets in which it operates. Key developments in selected markets include:

  UK – the only operator to have a 100MHz contiguous block of 5G-ready spectrum in the country and the only operator with available >6GHz frequency spectrum. The Group has rolled out its 5G mobile network in the UK offering all new and existing customers access to 5G with no speed caps and at no extra costs on all contract, SIM only and PAYG mobile plans. With approximately 1,000 5G sites as at the end of 2020, **3** UK plans to continue its rollout by more than 2,000 sites during 2021, increasing 5G coverage to above 20%.

  Italy – sufficient 5G spectrum with existing spectrum, together with strategic partnerships. The Group's network in Italy is already the largest 5G handset ready network coverage of all operators, with further expansion planned for 2021.

  Sweden – during 2020, the Group launched the largest 5G network in Sweden on its 2100MHz spectrum. With approximately 500 5G sites, its 5G network covers six cities and achieved 15% population coverage by end of the year. In 2021, the Group targets to add approximately 500 5G sites, together with the new 100MHz of 3500MHz spectrum acquired in January 2021, the 5G population coverage is expected to increase to 20%.

  Denmark – launched a live 5G cluster outside Copenhagen in 2020. The Group plans to add approximately 1,000 5G sites during 2021, and is expected to cover the whole country by 2022.

  Austria – in addition to the 100MHz of 3.5GHz 5G spectrum acquired in 2019, 20MHz of 700MHz, 30MHz of 1,500MHz and 40MHz of 2100MHz 5G spectrum were acquired in 2020.The Group rolled out 200 sites in 2020 and expects to roll out 1,100 sites in 2021. Population coverage was 10% by December 2020 and expects to reach 30% by the end of 2021.

  Ireland – 5G services went live for handset and Fixed Wireless Access in Q4 2020 with approximately 500 sites rolled out in December 2020 with 40% population coverage. During 2021, an additional 400 new 5G sites are planned to increase coverage to approximately 60% in order to increase service availability to the existing customer base and grow the Fixed Wireless Access servicing area.

  Hong Kong - progressively increased its 5G network coverage to enhance the quality of customer experience on its 5G network including the re-farming of 2.1GHz spectrum for comprehensive coverage, building on top the 3.5GHz spectrum for speed and capacity at high traffic sites; together with the rollout of new sites to further expand coverage. HTHKH aims to revamp the network coverage in building the best 5G network by June 2021.

- **Digitisation of core network:** through digitisation, the Group aims to give customers a leading experience that is online, multi-channel and real-time. The Group has continued to focus on standardisation and automation across operation support systems and core networks, with the introduction of new technologies such as virtualisation, orchestration and network slicing, to ensure the customer journey meets the evolving needs of digital consumers and enterprises. Through its 50% holding in Delta CK, the Group has established a central digital aggregation platform to deliver value creation and innovation on a global scale, as well as leveraging on partnership ecosystems.

Business strategies

Key business strategies include:

- **Increase contract customer base:** the Group continues to target increasing its contract customer base to protect short term volatility, through flexible tariff propositions and handset financing arrangements.

- **Expanding revenue streams:** the Group continues to expand its revenue streams to increase margins and drive growth. Key "other revenue" segments include:

  Fixed-wireless access - in the UK and Ireland, the Group is focusing on developing revenues from the broadband market and has launched home broadband service in UK in 2019 and fixed wireless access offerings in Austria since 2019 and Ireland in 2020. In Denmark, the Group recently started offering broadband connections to homes via 4G routers and increased its market share of mobile broadband subscriptions.

  Data analytics - through data analytics, the Group developed applications to serve entities in the mobility, retail & tourism and utilities sectors, including the application of AI to business performance, use of data and simulation to deliver optimal network design and operations. During 2020, Delta CK expanded its data coverage from Europe to Asia-Pacific with a consequent doubling of data volumes and unlocking a major new market for development in 2021. Furthermore, the Group has secured global partnerships to drive growth in 2021.

Accessories sales - the Group has started accessories sales through an online sales channel in Sweden. In Ireland, the Group has launched a new website and online shop to support an extended range of products in channels and will revamp its retail footprint to showcase its connected products and 5G services.

Financial services - in Italy, the Group is expanding the range of insurance products available to its customers.

- **Enhancing cost structure:** the Group continues to increase margins by enhancing its cost structures, capturing full cost efficiencies from network and IT transformations, as well as maintaining stringent controls over customer acquisition and retention costs.

Financial strategies

The Group has strong EBITDA margins demonstrating its operational efficiency and disciplined cost control. The Group's financial strategy also ensures that company's balance sheet remains strong. Key financial strategies include:

- **Prudent financial management and strong financial flexibility:** regular and close cash flow monitoring for all operating units, ensuring no major deviations from projections and appropriate rectification or mitigation actions are taken. Aims to maintain investment grade rating and CKHH's standard of financial management, discipline and system.
  - At the end of 2020, CK Hutchison Group Telecom has a net leverage [(1)] of less than 1.5x EBITDA (2019: 1.9x EBITDA).
- **Stringent capex approval policies consistent with CK Hutchison Holdings Limited standards:** rigorous process to control capex and investment spending.
- **Strict dividend policy:** strict dividend payouts with net debt to EBITDA threshold to provide an implicit form of parental support to maintain liquidity of all operating units.
- **Tower assets disposal proceeds:** significant additional financial capacity to support future growth and merger and acquisition opportunities.

2020 Results

In November 2020, the Group entered into an agreement to dispose of its European telecommunications tower assets for an aggregate consideration of €10 billion, consisting of €1.4 billion in new shares equating to approximately 5% stake in Cellnex on an enlarged share capital basis and the balance in cash. The Group's partner in Denmark and Sweden is expected to receive 5% of the total consideration as and when it is received by the Group. Following the transactions, the Group will be able to increase its focus on developing its networks and IT platforms, and will retain optionality to accelerate the rollout of its 5G networks, while benefiting from significant additional financial capacity to support future growth and opportunities. The disposals of tower assets in Denmark, Austria and Ireland, pursuant to this agreement, were completed in December 2020 for a cash proceed of €2,186 million and as a result, the Group recognised a disposal gain [(2)] of €1,702 million. Disposal of the remaining tower assets in Sweden was completed in January 2021, resulting in a gain of approximately €0.7 billion, with the disposal of tower assets in Italy and in the UK expected to complete in the first half and second half of 2021 respectively.

Total revenue of the Group of €10,231 million was 4% lower than 2019, whereas EBITDA and EBIT of €5,309 million and €3,512 million respectively were 32% and 46% higher than 2019 respectively, primarily due to the aforementioned disposal gain.

On a Pre-IFRS 16 basis, profit attributable to ordinary shareholders for the year ended 31 December 2020 of €3,238 million was an increase of 85% compared to 2019, primarily reflecting the aforementioned disposal gain, as well as lower interest cost subsequent to the refinancing of Wind Tre's external debt of approximately €10 billion at the Group level completed in August 2019, as well as lower taxation from the recognition of a deferred tax credit by **3**UK in the first half of 2020 as a result of the revision of the UK corporate tax rate glide path from 17% to 19% of £106 million.

On a Post-IFRS 16 basis, EBITDA, EBIT and profit attributable to ordinary shareholders increased by 29%, 44% and 88% respectively when compared to 2019.

Note 1: Net leverage ratio is defined as total cash and cash equivalents less total gross principal amount of bank and other debts to EBITDA ratio.

Note 2: Under Post-IFRS 16 basis, the disposal gain was €1,721 million.

3 Group Europe

In million	2020 EUR	2019 EUR	Change	Local currencies change
Total Revenue	**9,685**	9,977	-3%	-3%
Total Margin	**6,822**	6,867	–	–
Total CACs	**(1,816)**	(1,968)	+8%	
Less: Handset revenue	**1,423**	1,569	-9%	
Total CACs (net of handset revenue)	**(393)**	(399)	+2%	
Operating Expenses	**(2,890)**	(2,647)	-9%	
Opex as a % of total margin	***42%***	*39%*		
EBITDA [(4)]	**3,539**	3,821	-7%	-7%
EBITDA Margin % [(3)]	***43%***	*45%*		
Depreciation & Amortisation	**(1,701)**	(1,528)	-11%	
EBIT [(4)]	**1,838**	2,293	-20%	-20%

Note 3: EBITDA margin % represents EBITDA as a percentage of total revenue (excluding handset revenue).

Note 4: Under Post-IFRS 16 basis, EBITDA was €4,390 million (2019: €4,575 million); EBIT was €1,918 million (2019: €2,388 million).

3 Group Europe has been less affected by the pandemic. Total revenue was 3% lower while total margin was flat against 2019, primarily reflecting lower roaming revenues from pandemic related travel restrictions and various regulatory impacts introduced since mid-2019, such as reduced intra-EU calls and SMS chargeable rates, offset by an increase in proportion of higher margin contract customers. Active customer base as at 31 December 2020 of 38.5 million is 5% lower against 2019 mainly due to lower customer bases in Wind Tre and in the UK impacted by the aggressive competition, partly offset by net additions in other operations in Europe. Management continues to focus on managing churn and the average monthly customer churn rate of the contract customer base maintained at 1.3% for the year, flat against 2019, with notable improvements in churn rates in all countries except in the UK.

3 Group Europe's net ARPU and net AMPU improved by 1% and 2% to €13.05 and €11.29 respectively compared to 2019, primarily due to the improvement in tariff mix and propositions.

Total data usage increased 35% compared to last year to approximately 5,485 petabytes in 2020. Data usage per active customer was approximately 147.7 gigabytes per user in 2020 compared to 102.3 gigabytes per user in 2019.

Total CACs, net of handset revenue in contract bundled plans, of €393 million in 2020 are 2% lower than 2019 driven by reduced gross additions impacted by lockdown in 2020, as well as disciplined cost control in most operations to cope with the keen competition. Operating expenses increased 9% to €2,890 million primarily due to one-time income recognised by Wind Tre in 2019 and certain tax dispute settlements in 2019 that did not recur in 2020 in the UK, as well as higher operating costs in the UK from escalating annual licence fees and continued dual costs from IT transformation.

3 Group Europe's EBITDA and EBIT were adverse year-on-year, primarily due to the higher operating expenses as mentioned, partly offset by disciplined spending on customer acquisition costs. **3** Group Europe reported a EBITDA margin of 43%, 2%-point lower compared to 2019. Higher depreciation and amortisation against last year is driven by the enlarged asset base due to the significant investments in IT and networks, resulting in lower EBIT year on year. Excluding the impact of one-time items in 2019 mentioned above, underlying EBITDA of **3** Group Europe was the same as last year but EBIT was 9% lower than 2019.

All the operations launched 5G or fixed wireless access offers in 2020 with strong network and spectrum assets available to deploy and support the development of emerging 5G opportunities in all its markets.

CKHGT - Results by operations

In million	UK GBP 2020	UK GBP 2019	Italy [5] EURO 2020	Italy [5] EURO 2019	Sweden SEK 2020	Sweden SEK 2019	Denmark DKK 2020	Denmark DKK 2019
Total Revenue	**2,355**	2,384	**4,656**	4,854	**6,734**	6,757	**2,254**	2,182
% change	*-1%*		*-4%*		–		*+3%*	
Total margin	**1,436**	1,441	**3,524**	3,548	**4,076**	3,909	**1,737**	1,720
% change	–		*-1%*		*+4%*		*+1%*	
Total CACs	**(891)**	(882)	**(348)**	(464)	**(2,422)**	(2,563)	**(245)**	(244)
Less: Handset Revenue	**682**	680	**268**	382	**1,954**	2,045	**106**	100
Total CACs (net of handset revenue)	**(209)**	(202)	**(80)**	(82)	**(468)**	(518)	**(139)**	(144)
Operating Expenses	**(674)**	(526)	**(1,444)**	(1,366)	**(1,359)**	(1,212)	**(777)**	(732)
Opex as a % of total margin	***47%***	*37%*	***41%***	*39%*	***33%***	*31%*	***45%***	*43%*
Gain from disposal of tower assets	**–**	–	**–**	–	**–**	–	**–**	–
EBITDA	**553**	713	**2,000**	2,100	**2,249**	2,179	**821**	844
% change	*-22%*		*-5%*		*+3%*		*-3%*	
EBITDA margin % [6]	***33%***	*42%*	***46%***	*47%*	***47%***	*46%*	***38%***	*41%*
Depreciation & Amortisation	**(358)**	(334)	**(862)**	(743)	**(1,123)**	(962)	**(406)**	(373)
EBIT	**195**	379	**1,138**	1,357	**1,126**	1,217	**415**	471
% change	*-49%*		*-16%*		*-7%*		*-12%*	
Capex (excluding licence)	**(764)**	(426)	**(990)**	(1,190)	**(1,112)**	(1,170)	**(209)**	(215)
EBITDA less Capex	**(211)**	287	**1,010**	910	**1,137**	1,009	**612**	629
Licence [7]	**–**	–	**–**	–	**–**	–	**–**	(485)
EURO equivalents of EBITDA and EBIT are summarised as follows:								
EBITDA-pre IFRS 16 basis (EURO)	***619***	*818*	***2,000***	*2,100*	***215***	*206*	***110***	*113*
EBITDA-post IFRS 16 basis (EURO)	***740***	*912*	***2,581***	*2,621*	***249***	*237*	***130***	*133*
EBIT-pre IFRS 16 basis (EURO)	***217***	*436*	***1,138***	*1,357*	***108***	*115*	***56***	*63*
EBIT-post IFRS 16 basis (EURO)	***241***	*455*	***1,168***	*1,406*	***111***	*119*	***58***	*66*

In million	Austria EURO 2020	Austria EURO 2019	Ireland EURO 2020	Ireland EURO 2019	3 Group Europe EURO 2020	3 Group Europe EURO 2019	HTHKH HK$ 2020	HTHKH HK$ 2019	Corporate and Others HK$ 2020	Corporate and Others HK$ 2019	CKHGT [9] EURO 2020	CKHGT [9] EURO 2019
Total Revenue	**850**	867	**593**	603	**9,685**	9,977	**4,545**	5,582	**319**	419	**10,231**	10,663
% change	*-2%*		*-2%*		*-3%*		*-19%*		*-24%*		*-4%*	
Local currencies change %					*-3%*						*-4%*	
Total margin	**618**	622	**448**	454	**6,822**	6,867	**3,151**	3,551	**41**	64	**7,182**	7,280
% change	*-1%*		*-1%*		–		*-11%*		*-36%*		*-1%*	
Local currencies change %					–						*-1%*	
Total CACs	**(116)**	(136)	**(89)**	(87)	**(1,816)**	(1,968)	**(526)**	(797)	**–**	–	**(1,875)**	(2,059)
Less: Handset Revenue	**104**	121	**87**	82	**1,423**	1,569	**345**	472	**–**	–	**1,462**	1,623
Total CACs (net of handset revenue)	**(12)**	(15)	**(2)**	(5)	**(393)**	(399)	**(181)**	(325)	**–**	–	**(413)**	(436)
Operating Expenses	**(228)**	(234)	**(229)**	(238)	**(2,890)**	(2,647)	**(1,629)**	(1,837)	**(803)**	377	**(3,162)**	(2,816)
Opex as a % of total margin	***37%***	*38%*	***51%***	*52%*	***42%***	*39%*	***52%***	*52%*	***N/A***	*N/A*	***44%***	*39%*
Gain from disposal of tower assets	**–**	–	**–**	–	**–**	–	**–**	–	**16,583**	–	**1,702**	–
EBITDA	**378**	373	**217**	211	**3,539**	3,821	**1,341**	1,389	**15,821**	441	**5,309**	4,028
% change	*+1%*		*+3%*		*-7%*		*-3%*		*+3,488%*		*+32%*	
Local currencies change %					*-7%*						*+32%*	
EBITDA margin % [6]	***51%***	*50%*	***43%***	*40%*	***43%***	*45%*	***32%***	*27%*			***61%***	*45%*
Depreciation & Amortisation	**(152)**	(140)	**(124)**	(122)	**(1,701)**	(1,528)	**(845)**	(808)	**(6)**	(3)	**(1,797)**	(1,620)
EBIT	**226**	233	**93**	89	**1,838**	2,293	**496**	581	**15,815**	438	**3,512**	2,408
% change	*-3%*		*+4%*		*-20%*		*-15%*		*+3,511%*		*+46%*	
Local currencies change %					*-20%*						*+46%*	
Capex (excluding licence)	**(128)**	(129)	**(132)**	(133)	**(2,232)**	(2,091)	**(593)**	(503)	**(15)**	(7)	**(2,296)**	(2,150)
EBITDA less Capex	**250**	244	**85**	78	**1,307**	1,730	**748**	886	**15,806**	434	**3,013**	1,878
Licence [7]	**(49)**	(52)	**(1)**	(1)	**(50)**	(118)	**(202)**	(203)	**–**	–	**(74)**	(141)
EURO equivalents of EBITDA and EBIT are summarised as follows:												
EBITDA-pre IFRS 16 basis (EURO)	***378***	*373*	***217***	*211*	***3,539***	*3,821*	***151***	*158*	***1,619***	*49*	***5,309***	*4,028*
EBITDA-post IFRS 16 basis (EURO)	***427***	*422*	***263***	*250*	***4,390***	*4,575*	***201***	*211*	***1,638***	*49*	***6,229***	*4,835*
EBIT-pre IFRS 16 basis (EURO)	***226***	*233*	***93***	*89*	***1,838***	*2,293*	***56***	*66*	***1,618***	*49*	***3,512***	*2,408*
EBIT-post IFRS 16 basis (EURO)	***235***	*242*	***105***	*100*	***1,918***	*2,388*	***57***	*68*	***1,637***	*49*	***3,612***	*2,505*

	UK 2020	UK 2019	Italy 2020	Italy 2019	Sweden 2020	Sweden 2019	Denmark 2020	Denmark 2019	Austria 2020	Austria 2019	Ireland [8] 2020	Ireland [8] 2019	3 Group Europe [8] 2020	3 Group Europe [8] 2019	HTHKH 2020	HTHKH 2019
Total registered customer base (million)	**13.1**	13.7	**21.5**	23.8	**2.2**	2.1	**1.5**	1.5	**3.6**	3.7	**2.6**	2.4	**44.5**	47.2	**3.8**	4.3
Total active customer base (million)	**9.7**	10.3	**19.6**	21.5	**2.2**	2.0	**1.4**	1.4	**3.0**	3.0	**2.6**	2.4	**38.5**	40.6	**3.3**	3.7
Contract customers as a % of the total registered customer base	**58%**	53%	**48%**	44%	**69%**	70%	**58%**	58%	**74%**	71%	**68%**	63%	**56%**	51%	**37%**	35%
Average monthly churn rate of the total contract registered customer base (%)	**1.4%**	1.3%	**1.4%**	1.5%	**1.4%**	1.6%	**1.7%**	1.8%	**0.2%**	0.2%	**1.0%**	1.0%	**1.3%**	1.3%	**1.1%**	1.2%
Active contract customers as a % of the total contract registered customer base	**99%**	98%	**94%**	93%	**100%**	100%	**100%**	100%	**100%**	100%	**100%**	100%	**97%**	96%	**100%**	100%
Active customers as a % of the total registered customer base	**74%**	75%	**91%**	90%	**97%**	97%	**100%**	97%	**83%**	80%	**100%**	100%	**87%**	86%	**86%**	86%
LTE coverage by population (%)	**94%**	94%	**100%**	100%	**92%**	88%	**100%**	100%	**96%**	98%	**99%**	98%	–	–	**90%**	90%
Full year data usage per active customer (Gigabyte)													**147.7**	102.3	**74.0**	58.7

Note 5: Wind Tre's results include fixed line business revenue of €1,004 million (2019: €967 million) and EBITDA of €236 million (2019: €320 million).

Note 6: EBITDA margin % represents EBITDA as a percentage of total revenue (excluding handset revenue).

Note 7: 2020 licence cost for Austria represents investment for 20 MHz of 700 MHz spectrum, 30 MHz of 1500 MHz spectrum and 40 MHz of 2100 MHz spectrum acquired in October 2020, and the licence cost for Hong Kong represents investment for 40 MHz of 3500 MHz spectrum acquired in October 2019 for 15 years from 2020. 2019 licence cost for Austria represents investment for 10x10 MHz of 3500 MHz spectrum acquired in March 2019, the licence cost for Denmark represents investment for 2x10 MHz of 700 MHz spectrum and 2x10 MHz of 900MHz spectrum acquired in March 2019, and the licence cost for Hong Kong represents investment for 30 MHz of 3300 MHz spectrum acquired in November 2019.

Note 8: **3** Ireland's closing registered customer base as at 31 December 2020 represented the closing active base as the new system will not identify registered base separately from the active base following the completion of system integration and migration in 2020. The comparative registered base and the corresponding KBIs of **3** Ireland and **3** Group Europe have been restated to enable a like-for-like comparison.

Note 9: CKHGT 2019 results in Euro have been restated to reflect the translation of HK$ into Euro at 2019 average rates.

Key Business Indicators

Registered Customer Base

	Registered Customers at 31 December 2020 ('000)			Registered Customer Growth (%) from 30 June 2020 to 31 December 2020			Registered Customer Growth (%) from 31 December 2019 to 31 December 2020		
	Non-contract	Contract	**Total**	Non-contract	Contract	**Total**	Non-contract	Contract	**Total**
United Kingdom	5,524	7,619	**13,143**	-7%	+3%	**-1%**	-14%	+5%	**-4%**
Italy [11]	11,194	10,323	**21,517**	-9%	+1%	**-4%**	-16%	-1%	**-10%**
Sweden	682	1,527	**2,209**	+4%	+3%	**+3%**	+10%	+4%	**+6%**
Denmark	618	851	**1,469**	+3%	–	**+1%**	–	–	**–**
Austria	933	2,611	**3,544**	-7%	–	**-2%**	-14%	–	**-4%**
Ireland [12]	830	1,788	**2,618**	+5%	+13%	**+10%**	-5%	+21%	**+11%**
3 Group Europe Total [12]	19,781	24,719	**44,500**	-7%	+3%	**-2%**	-14%	+2%	**-6%**
HTHKH	2,401	1,427	**3,828**	-1%	-2%	**-2%**	-14%	-3%	**-10%**

Active [10] Customer Base

	Active Customers at 31 December 2020 ('000)			Active Customer Growth (%) from 30 June 2020 to 31 December 2020			Active Customer Growth (%) from 31 December 2019 to 31 December 2020		
	Non-contract	Contract	**Total**	Non-contract	Contract	**Total**	Non-contract	Contract	**Total**
United Kingdom	2,191	7,515	**9,706**	-5%	+4%	**+2%**	-30%	+5%	**-6%**
Italy [11]	9,941	9,697	**19,638**	-7%	–	**-3%**	-16%	–	**-9%**
Sweden	626	1,527	**2,153**	+6%	+3%	**+4%**	+14%	+4%	**+7%**
Denmark	612	851	**1,463**	+3%	–	**+1%**	+7%	–	**+3%**
Austria	342	2,604	**2,946**	+4%	–	**–**	-4%	–	**–**
Ireland	830	1,788	**2,618**	+5%	+13%	**+10%**	-5%	+21%	**+11%**
3 Group Europe Total	14,542	23,982	**38,524**	-5%	+2%	**–**	-16%	+3%	**-5%**
HTHKH	1,852	1,427	**3,279**	–	-2%	**-1%**	-15%	-3%	**-10%**

Note 10: An active customer is one that generated revenue from an outgoing call, incoming call or data/content service in the preceding three months.

Note 11: In addition to the above, Wind Tre's has 2.8 million fixed line customers.

Note 12: **3** Ireland's closing registered customer base as at 31 December 2020 represented the closing active base as the new system will not identify registered base separately from the active base following the completion of system integration and migration in 2020. The comparative registered base and the corresponding KBIs of **3** Ireland and **3** Group Europe have been restated to enable a like-for-like comparison.

	12-month Trailing Average Revenue per Active User [13] ("ARPU") to 31 December 2020			
	Non-Contract	Contract	**Blended Total**	% Variance compared to 31 December 2019
United Kingdom	£4.42	£22.60	**£17.95**	+1%
Italy [16]	€10.81	€12.78	**€11.75**	+3%
Sweden	SEK116.18	SEK324.01	**SEK265.07**	-6%
Denmark	DKK87.77	DKK147.22	**DKK122.85**	-1%
Austria	€11.75	€21.69	**€20.53**	–
Ireland	€15.21	€18.53	**€17.41**	-10%
3 Group Europe Average [16]	€10.17	€19.47	**€15.77**	+1%
HTHKH	HK$7.82	HK$195.63	**HK$88.77**	-11%

	12-month Trailing Net Average Revenue per Active User [14] ("Net ARPU") to 31 December 2020			
	Non-Contract	Contract	**Blended Total**	% Variance compared to 31 December 2019
United Kingdom	£4.42	£15.53	**£12.69**	–
Italy	€10.81	€11.31	**€11.05**	+3%
Sweden	SEK116.18	SEK211.33	**SEK184.35**	-3%
Denmark	DKK87.77	DKK136.93	**DKK116.78**	-1%
Austria	€11.75	€17.80	**€17.09**	-1%
Ireland	€15.21	€14.42	**€14.69**	-11%
3 Group Europe Average	€10.17	€14.96	**€13.05**	+1%
HTHKH	HK$7.82	HK$170.74	**HK$78.04**	-10%

	12-month Trailing Net Average Margin per Active User [15] ("Net AMPU") to 31 December 2020			
	Non-Contract	Contract	**Blended Total**	% Variance compared to 31 December 2019
United Kingdom	£3.76	£13.65	**£11.12**	+1%
Italy	€9.18	€9.63	**€9.40**	+5%
Sweden	SEK98.90	SEK182.76	**SEK158.98**	–
Denmark	DKK73.28	DKK112.63	**DKK96.50**	-3%
Austria	€10.16	€15.88	**€15.21**	-1%
Ireland	€13.94	€12.96	**€13.29**	-10%
3 Group Europe Average	€8.69	€13.01	**€11.29**	+2%
HTHKH	HK$6.08	HK$149.72	**HK$67.99**	-13%

Note 13: ARPU equals total monthly revenue, including incoming mobile termination revenue and contributions for a handset/device in contract bundled plans, divided by the average number of active customers during the year.

Note 14: Net ARPU equals total monthly revenue, including incoming mobile termination revenue but excluding contributions for a handset/device in contract bundled plans, divided by the average number of active customers during the year.

Note 15: Net AMPU equals total monthly revenue, including incoming mobile termination revenue but excluding contributions for a handset/device in contract bundled plans, less direct variable costs (including interconnection charges and roaming costs) (i.e. net customer service margin), divided by the average number of active customers during the year.

Note 16: Wind Tre's ARPU for the year ended 31 December 2019 has been restated to conform with the definition of **3** Italy before the merger with WIND .

United Kingdom

EBITDA and EBIT decreased by 22% and 49% in local currency respectively mainly due to lower margin driven by regulatory changes in the UK and within EU in 2019, reduced roaming margin, increased annual spectrum licence fee imposed by Ofcom, as well as increased network & IT transformation spend and certain tax dispute settlements in 2019 that did not recur in 2020, partly offset by improvements in other margins from MVNOs and various initiatives, as well as more stringent operating costs control. EBIT was further impacted by increased depreciation from IT investments and accelerated network rollout.

3 UK has demonstrated a strong recovery in the second half of 2020, with EBITDA and EBIT increasing by 20% and 27% respectively against the first half of the year, and excluding the aforementioned tax dispute settlements in 2019, EBITDA and EBIT increased by 22% and 43% against the same period of last year, mainly driven by margin and cost saving initiatives put in place under the new senior management team.

Italy

EBITDA and EBIT decreased by 5% and 16% in local currency respectively. Excluding the impact of a one-time income in 2019, the underlying EBITDA was relatively stable against last year as lower margin driven by reduced customer base and roaming revenue were mostly offset by increased MVNO margin and cost savings, while EBIT decreased by 8% due to higher depreciation and amortisation from an enlarged asset base.

For the second half of 2020, EBITDA and EBIT decreased by 3% and 15% respectively against the same period of 2019, mainly due to lower margin amid uncertain market sentiments. Encouragingly, as Wind Tre acclimatises to the trading environment impacted by the pandemic, in the second half of 2020, EBITDA increased by 9% compared to the first half through margin initiatives and stringent cost controls, with EBIT remaining flat across the two halves of the year as the improvement in EBITDA was mostly offset by increased depreciation and amortisation from an enlarged asset base.

Sweden

Despite reduced roaming margin contribution due to the pandemic, Sweden, where the Group has 60% interest, reported 4% growth in total margin primarily driven by 7% active customer growth. Full year EBITDA was 3% higher than last year, primarily driven by the total margin growth, partly offset by higher operating costs incurred from enlarged network and one-off charge for certain dispute settlement in 2020. Full year EBIT was 7% below last year as the EBITDA growth was more than offset by higher depreciation from the ongoing LTE network rollout, as well as higher amortisation from the higher capitalised CACs balance. When compared to second half of last year, EBITDA for the second half of 2020 was 1% higher primarily driven by 4% higher total margin. EBIT, however, decreased by 10%, primarily due to the same reason for full year as mentioned above.

Denmark

The operation in Denmark, where the Group has a 60% interest, reported 1% growth in total margin primarily driven by 3% higher active customer base, partly offset by reduced roaming margin due to the pandemic. Full year EBITDA and EBIT were 3% and 12% below last year respectively, mainly due to the higher network costs and depreciation charges from enlarged network base, together with increased amortisation cost from the spectrum acquired in March 2019. Second half EBITDA and EBIT were 8% and 17% lower than same period last year respectively, mainly due to the reduced roaming margin, as well as the higher costs as mentioned above.

Austria

Austria reported a 1% growth in EBITDA in local currency compared to 2019, mainly due to stringent control on total CACs and operating costs, as well as favourable MVNO performance, partly offset by lower roaming contribution as a result of travel restriction. EBIT decreased by 3% in local currency against last year primarily due to higher depreciation from an enlarged asset base. Second half EBITDA and EBIT were 2% and 7% lower than same period last year respectively, mainly due to lower roaming contribution, higher spending on network costs and depreciation charges from enlarged network asset base.

Ireland

EBITDA and EBIT in local currency increased by 3% and 4% respectively compared to 2019 driven by stringent control on total CACs and operating cost, partly offset by lower total margin from decreased roaming revenue. EBIT also reflected the higher depreciation and amortisation from an enlarged asset base. EBITDA and EBIT for the second half of 2020 decreased by 2% and 4% respectively against the same period of 2019, primarily due to lower roaming revenue as mentioned above, partly offset by various cost saving initiatives.

Hutchison Telecommunications Hong Kong Holdings

HTHKH announced its 2020 Post-IFRS 16 profit attributable to shareholders of HK$361 million. On Pre-IFRS 16 basis, EBITDA and EBIT of HK$1,341 million and HK$496 million were 3% and 15% lower respectively when compared with last year. The decrease was mainly due to lower interest income following the distribution of special interim dividend and cash settlement for the acquisition of a 24.1% interest in the mobile business in May 2019, together with lower net customer service margin as roaming revenue declined due to the prolonged global travel restrictions, partly offset by stringent control on operating costs.

Capital Expenditure and Licences

EUR million	2020 Fixed assets	Telecommunications licences	Brand names and other rights	Total
United Kingdom	844	-	-	844
Italy	794	-	196	990
Sweden	110	-	-	110
Denmark	28	-	-	28
Austria	128	49	-	177
Ireland	132	1	-	133
Hong Kong	63	24	-	87
Corporate and others	-	-	1	1
Total	**2,099**	**74**	**197**	**2,370**

EUR million	2019 Fixed assets	Telecommunications licences	Brand names and other rights	Total
United Kingdom	499	-	-	499
Italy	875	-	315	1,190
Sweden	111	-	-	111
Denmark	29	65	-	94
Austria	128	52	1	181
Ireland	133	1	-	134
Hong Kong	58	23	-	81
Corporate and others	1	-	-	1
Total	**1,834**	**141**	**316**	**2,291**

The Group's 2020 capital expenditure, excluding licences, of €2,296 million has increased €146 million (+7%) from €2,150 million in 2019, primarily due to the acceleration of network rollout and continuation of the IT transformation project in the UK. Capex, excluding licences, as a percentage of total revenue was 22% in 2020 (2019: 20%).

Total spectrum spending of €74 million in 2020 represented the 700 MHz spectrum, 1500 MHz spectrum and 2100 MHz spectrum acquired in Austria in October 2020, as well as the 3500 MHz spectrum licence cost for Hong Kong acquired in October 2019 from 2020. The spectrum spending of €141 million in 2019 represented 3500 MHz spectrum in Austria acquired in March 2019, 700 MHz spectrum and 900 MHz spectrum in Denmark acquired in March 2019, and the 3300 MHz spectrum in Hong Kong acquired in November 2019.

In January 2021, Sweden acquired 3500 MHz spectrum for approximately SEK490 million (approximately €48 million).

Expected new licence auctions in 2021 include 700 MHz and 3600 MHz for UK, 1500 MHz, 2100 MHz, 2300 MHz, 3500 MHz and 26 GHz for Denmark, 700 MHz, 2100 MHz, 2300 MHz, 2600 MHz for Ireland, as well as 700MHz, 900MHz and 1800MHz for Hong Kong.

Additional Information

Telecommunications

Summary of licence investments

Operation	Licence	Spectrum Lot	Blocks	Paired/Unpaired	Available Spectrum
United Kingdom	800 MHz	5 MHz	1	Paired	10 MHz
	1400 MHz	5 MHz	4	Unpaired	20 MHz
	1800 MHz	5 MHz	3	Paired	30 MHz
	2100 MHz	5 MHz	3	Paired	30 MHz
	2100 MHz	5 MHz	1	Unpaired	5 MHz
	3400 MHz	5 MHz	4	Unpaired	20 MHz
	3500 MHz	40 MHz	1	Unpaired	40 MHz
	3600 MHz	80 MHz	1	Unpaired	80 MHz
	3900 MHz	84 MHz	1	Unpaired	84 MHz
	28 GHz (National)	112 MHz	2	Unpaired	224 MHz
	28 GHz (Regional)	112 MHz	2	Unpaired	224 MHz
	40 GHz	1000 MHz	2	Unpaired	2000 MHz
Italy	800 MHz	5 MHz	2	Paired	20 MHz
	900 MHz	5 MHz	2	Paired	20 MHz
	1800 MHz	5 MHz	4	Paired	40 MHz
	2000 MHz	5 MHz	2	Unpaired	10 MHz
	2100 MHz	5 MHz	4	Paired	40 MHz
	2600 MHz	5 MHz	4	Paired	40 MHz
	2600 MHz	15 MHz	2	Unpaired	30 MHz
	3600 MHz	20 MHz	1	Unpaired	20 MHz
	27 GHz	200 MHz	1	Unpaired	200 MHz
Austria	900 MHz	5 MHz	1	Paired	10 MHz
	1800 MHz	5 MHz	4	Paired	40 MHz
	2100 MHz	5 MHz	5	Paired	50 MHz
	2100 MHz	5 MHz	1	Unpaired	5 MHz
	2600 MHz	5 MHz	5	Paired	50 MHz
	2600 MHz	25 MHz	1	Unpaired	25 MHz
	3500 MHz	10 MHz	10	Unpaired	100 MHz
	700 MHz (1)	5 MHz	2	Paired	20 MHz
	1500 MHz (1)	10 MHz	3	Unpaired	30 MHz
	2100 MHz (1)	5MHz	4	Paired	40 MHz
Sweden	800 MHz	10 MHz	1	Paired	20 MHz
	900 MHz	5 MHz	1	Paired	10 MHz
	1800 MHz	5 MHz	1	Paired	10 MHz
	2100 MHz	20 MHz	1	Paired	40 MHz
	2100 MHz	5 MHz	1	Unpaired	5 MHz
	2600 MHz	10 MHz	1	Paired	20 MHz
	2600 MHz	50 MHz	1	Unpaired	50 MHz
	3500 MHz (2)	100 MHz	1	Unpaired	100 MHz
Denmark	700 MHz	10MHz	1	Paired	20 MHz
	900 MHz	10MHz	1	Paired	20 MHz
	900 MHz	5 MHz	1	Paired	10 MHz
	1800 MHz	5 MHz	2	Paired	20 MHz
	1800 MHz	10 MHz	2	Paired	40 MHz
	2100 MHz	15 MHz	1	Paired	30 MHz
	2100 MHz	5 MHz	1	Unpaired	5 MHz
	2600 MHz	10 MHz	1	Paired	20 MHz
	2600 MHz	5 MHz	5	Unpaired	25 MHz
Ireland	800 MHz	5 MHz	2	Paired	20 MHz
	900 MHz	5 MHz	3	Paired	30 MHz
	1800 MHz	5 MHz	7	Paired	70 MHz
	2100 MHz	5 MHz	6	Paired	60 MHz
	2100 MHz	5 MHz	1	Unpaired	5 MHz
	3600 MHz	5 MHz	20	Unpaired	100MHz

Note 1: Acquired in October 2020.

Note 2: Acquired in January 2021

Additional Information

Telecommunications (continued)

Summary of licence investments (continued)

Operation	Licence	Spectrum Lot	Blocks	Paired/Unpaired	Available Spectrum
Hong Kong	900 MHz	5 MHz	1	Paired	10 MHz
	900 MHz [3]	8.3 MHz	1	Paired	16.6 MHz
	1800 MHz [3]	11.6 MHz	1	Paired	23.2 MHz
	2100 MHz	14.8 MHz	1	Paired	29.6 MHz
	2300 MHz	30 MHz	1	Unpaired	30 MHz
	2600 MHz [4]	5 MHz	1	Paired	10 MHz
	2600 MHz [4]	15 MHz	1	Paired	30 MHz
	3300 MHz	30 MHz	1	Unpaired	30 MHz
	3500 MHz	40 MHz	1	Unpaired	40 MHz
Macau	900 MHz	5 MHz	1	Paired	10 MHz
	1800 MHz	10 MHz	1	Paired	20 MHz
	2100 MHz	5 MHz	1	Paired	10 MHz

Note 3: After the spectrum auction and licence renewal in 2018, HTHKH will hold 10 MHz in 900 MHz band and 30 MHz in 1800 MHz band from 2021 to 2036 upon expiry of the existing licences.

Note 4: Spectrum held by 50/50 joint venture with PCCW.

Risk Factor

The Group's business, financial condition and results of operations are subject to various business risks and uncertainties. The factors set out below are those that the Group believes could result in the Group's financial condition or results of operations differing materially from expected or historical results. There may be other risks in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

Global Economy

As a global mobile telecommunications operators, the Group is exposed to the developments in the global economy as well as developments in the telecommunications industry and geographical markets in which it operates. In general, volatility in worldwide credit and financial markets, fluctuations in commodity prices, rising geopolitical risks and political turbulence and global trade competition have all contributed to the increased uncertainty of global economic prospects. Any adverse economic developments, whether as a result of a global recession or a recession in one or more of the Group's key markets, credit and capital markets volatility, an economic or financial crisis, or otherwise, could result in reduced consumer spending on telecommunications products and services, which in turn could result in lower revenue and reduced profit for the Group. As a result, the Group's financial condition and results of operations may be influenced by the general state of the global economy or the general state of a specific market or economy. Any significant decrease in the level of economic growth in the global or regional or a specific economy could adversely affect the Group's financial condition or results of operations.

Industry Trends, Interest Rates and Currency Markets

The Group's results are affected by trends in the telecommunications industry. While the Group believes that its geographical spread and extensive customer base reduce its exposure, its results have in the past been adversely affected by industry trends. For example, the Group's results have been negatively impacted by keen competition and volatility in currencies and interest rates. There can be no assurance that the combination of industry trends, currencies and interest rates experienced by the Group in the future will not adversely affect its financial condition and results of operations.

In particular, income from the Group's finance and treasury operations is dependent upon interest rates, the currency environment and market conditions, and therefore there can be no assurance that changes in these conditions will not materially and adversely affect the Group's financial condition and results of operations.

COVID-19 Pandemic

In January 2020, the World Health Organization declared the COVID-19 outbreak a "Public Health Emergency of International Concern" and on 11 March 2020 it was declared a pandemic. Between January 2020 and the date of this Results Announcement, the COVID-19 disease has spread to many countries, with significant number of reported cases and related deaths.

Several countries' governments and numerous companies have imposed increasingly stringent restrictions to help avoid, or slow down, the spread of the pandemic, including, for example, restrictions on international and local travel, public gatherings and participation in meetings, as well as closures of universities, schools, stores and restaurants, with some countries imposing strict curfews and lockdowns. There can be no assurance that these restrictions will not be extended further on one or more occasions. These measures have led to lockdowns in areas where the Group has operations, and is expected to have certain adverse effect on the Group's operations.

The Group continues to monitor developments closely as the pandemic develops. The impact of the pandemic on the Group's business will depend on a range of factors which the Group is not able to accurately predict, including the duration, severity and scope of the pandemic, the geographies impacted, the impact of the pandemic on economic activity globally, and the nature and severity of measures adopted by governments. These factors include, but are not limited to:

- the deterioration of socio-economic conditions leading to disruptions to the Group's operations, such as decline in footfall in the Group's telecommunications retail stores;
- reductions or volatility in consumer demand for the Group's products due to quarantine or illness, or other travel restrictions, economic hardship, or store closures, which may impact the Group's revenue and market share;
- significant volatility in financial markets (including interest rate and foreign currency rate volatilities) and measures adopted by governments and central banks, which may limit the Group's access to funds, lead to shortages of cash or increase the cost of raising such funds; and
- an adverse impact on the Group's ability to engage in new, or consummate pending, strategic transactions on the agreed terms and timetable or at all.

These impacts can also threaten the Group's facilities and transport of the Group's products, cause disruption of operational activities, environmental harm, loss of life, injuries and impact the wellbeing of the Group's employees and could have a material adverse effect on the Group's results of operations, cash flows and financial condition.

As of the date of this Results Announcement, there is significant uncertainty relating to the severity of the long-term adverse impact of the pandemic on the global economy and global financial markets, and the Group is unable to accurately predict the long-term impact on its business. To the extent that the pandemic adversely affects the Group's business and operations, it may also have the effect of heightening many of the other risks described in this "Risk Factors" section.

The aforementioned risks may also be applicable to the outbreak of any highly contagious diseases on the economies of the affected countries.

Cash flow and Liquidity

From time to time, the Group accesses short-term and long-term capital markets to obtain financing. The availability of financing with acceptable terms and conditions may be impacted by many factors which include, among others, liquidity in the capital markets and the Group's credit ratings. Although the Group aims to maintain a capital structure that is appropriate for long-term investment grade ratings, actual credit ratings may deviate from these levels due to economic circumstances or other factors such as how the Group formulates, implements and integrates its sustainability strategies in relation to its core businesses. If liquidity in the capital markets declines and/or credit ratings of the Group decline or other factors, such as sustainability considerations, the availability and cost of borrowings could be affected and impact the Group's financial condition and results of operations, liquidity and cash flows.

Currency Fluctuations

The Group reports its results in Euro but its subsidiaries and joint ventures receive revenue and incur expenses in various local currencies. The Group's subsidiaries and joint ventures may also incur debt in these local currencies. Consequently, the Group is exposed to potential adverse impact of currency fluctuations on translation of the results and balance sheet items of these subsidiaries and joint ventures and also on repatriation of earnings, equity investments and loans. Although the Group actively manages its currency exposures, depreciation or fluctuation of the currencies in which the Group conducts its operations relative to the Euro could have a material adverse effect on the Group's financial condition and results of operations.

Highly Competitive Markets

The Group's principal business operations face significant competition across the diverse markets in which they operate. Competition among providers of mobile and fixed-line telecommunications services, including new market entrants (such as mobile virtual network operators), intensification of price competition by existing competitors, product innovation or technological advancement could adversely affect the Group's financial condition and results of operations. Competitive risks faced by the Group include:

- aggressive tariff plans and customer acquisition strategies by telecommunications competitors may impact the Group's pricing plans, customer acquisition and retention costs, rate of customer growth and retention prospects and hence the revenue it receives as a major provider of telecommunications services; and
- risk of competition from disruptive alternate telecommunications technologies and potential competition in the future from substitute telecommunications technologies being developed or to be developed or if the Group fails to develop, or obtain timely access to new technologies and equipment.

In addition, mobile number portability policies and procedures in markets where the Group currently operates enable customers to switch their providers of mobile telecommunications services without changing their mobile phone numbers. This has led to increased movement of customers among providers of mobile telecommunications services. Such movements increase marketing, distribution and administrative costs, slow growth in customer numbers and reduce revenues. The Group's marketing position also depends on effective marketing initiatives and its ability to anticipate and respond to various competitive factors affecting the industry. This includes new services, pricing strategies by competitors and changes in consumer preferences and economic, political and social conditions in the countries in which it operates. Any failure by the Group to compete effectively, including in terms of pricing of services, acquisition of customers and retention of existing customers, could decrease the revenue that the Group receives as a major provider of telecommunications services and negatively impact its profitability and financial condition. Furthermore, competition in the Group's principal lines of business could lead to price and margin erosion for its traditional products and services, loss of market share in the Group's core markets, loss of existing or prospective customers and greater difficulty in retaining existing customers.

Risk Factor

Strategic and Business Partners

The Group conducts some of its businesses through non-wholly-owned subsidiaries and joint ventures in which it shares control (in whole or in part) and has formed strategic alliances with certain leading international companies and other strategic partners. There can be no assurance that any of these strategic or business partners will wish to continue their relationships with the Group in the future or that the Group will be able to pursue its stated strategies with respect to its non-wholly-owned subsidiaries and joint ventures and the markets in which they operate. Furthermore, other investors in the Group's non-wholly-owned subsidiaries and joint ventures may undergo a change of control or financial difficulties, which may negatively impact the Group's financial condition and results of operations.

The Group's ability to provide high quality mobile and fixed-line telecommunications services depends on its ability to interconnect with the telecommunications networks and services of other mobile and fixed-line operators, particularly those of the Group's competitors. The Group also relies on third-party operators for the provision of international roaming services for its mobile subscribers. While the Group has interconnection agreements and international roaming agreements in place with other telecommunication operators, it does not have direct control over the quality of their networks and the interconnections and roaming services they provide. Any difficulties or delays in interconnecting with other networks and services, or the failure of any operator to provide reliable interconnections or roaming services to the Group on a consistent basis, could result in a loss of subscribers or a decrease in traffic for the Group, which would reduce the Group's revenues and adversely affect the Group's business, financial condition and results of operations. There can be no assurance that the Group will be able to maintain its interconnection and international roaming agreements on terms that are commercially acceptable to it.

The Group has relationships with a number of key vendors for mobile and fixed-line network equipment, software and for the provision of content. The Group's ability to grow its subscriber base depends in part on its ability to source adequate supplies of network equipment, mobile handsets, software and content in a timely manner. Suppliers of network equipment have limited resources, which may impact the speed at which the Group expands its network. The business operation and provision of related services by the third party vendors are also regulated to varying degrees by national, state, regional or local governmental and regulatory authorities in the countries where the Group operates. The Group does not have direct operational or financial control over its key suppliers and has limited influence with respect to the manner in which these key suppliers conduct their businesses. The Group's reliance on these suppliers exposes it to risks related to delays in the delivery of their services, and, from time to time, the Group has experienced extensions of lead times or limited supplies due to capacity constraints and other supply-related factors. There can also be no assurance that the relevant authorities will not take any action that could materially adversely affect the third party vendors' operations. The Group's business and financial performance could be materially harmed if export and re-export restrictions impact its suppliers' ability to procure products, technology, or software from the United States or other jurisdictions that are necessary for the production and timely and satisfactory delivery of the supplies and equipment that the Group sources from these suppliers.

It cannot be assured that the Group's suppliers will continue to provide equipment and services to the Group at acceptable prices or that the Group will be able to obtain such equipment and services in the future from these or other providers on the scale and within the time frames the Group requires, if at all. In such event, the Group's ability to attract subscribers or offer attractive product offerings could be negatively affected, which in turn could materially adversely affect the Group's business, financial condition and results of operations.

In addition, following the conclusion of agreements for the disposal of the Group's interests in tower assets supporting the Group's mobile businesses in, respectively, Austria, Denmark, Ireland, Italy, Sweden and the United Kingdom, to Cellnex, the Group's ability to provide telecommunications services in such jurisdictions upon completion of disposal of such tower assets will depend, in part, on Cellnex, which through its operating subsidiaries will have entered into master services agreements with subsidiaries of the Group operating the Group's telecommunications business in the relevant jurisdictions. While each master services agreement will provide for Cellnex to provide infrastructure and built-to-suit services to the Group's telecommunication business in such jurisdictions, such agreements may be terminated for cause by either party and may be partially terminated in respect of part of the telecommunications infrastructure services which are affected by any material failure to meet service levels. Should any of these arrangements be terminated, this could result in delays or disruptions to the Group's telecommunications operations in the relevant jurisdictions and could result in the Group incurring additional costs. There can be no assurance that changes in the relationship or rearrangements between the Group and Cellnex will not materially and adversely affect the Group's financial condition and results of operations.

Risk Factor

Equipment and Network Stability

The Group's technological infrastructure (including its network infrastructure for mobile telecommunications and fixed-line services, including Internet services) is vulnerable to damage or disruptions from numerous events, including fire, flood, windstorms or other natural disasters, power outages, terrorist acts, cyberattacks, equipment or system failures, human errors or intentional wrongdoings, including breaches of the Group's network or information technology security. Unanticipated problems at the Group's facilities, network or system failures or hardware or software failures or computer viruses, or the occurrence of such unanticipated problems at the facilities, network or systems of third party-owned local and long distance networks on which the Group relies for the provision of interconnection and roaming services could result in reduced user traffic and revenue as a result of subscriber dissatisfaction with poor performance and reliability, result in regulatory penalties or require unanticipated capital expenditures. The occurrence of network or system failures could also harm the Group's reputation or impair its ability to retain current subscribers or attract new subscribers, which could have a material adverse effect on its business, financial condition and results of operations.

Technology

The telecommunications industry is characterised by rapid technological change and frequent introductions of new products. For example, many Internet products have been developed with the proliferation of Internet usage. The development of Internet products and applications such as over-the-top content and voice-over-IP have resulted in a reduction in the usage of traditional text messaging and long distance voice call services provided by the Group. Technological change and the emergence of alternative technologies for the provision of telecommunications services that are technologically superior, cheaper or otherwise more attractive than those that the Group provides may render its services less profitable, less viable or obsolete. At the time the Group selects and advances one technology over another, it may not be possible to accurately predict which technology may prove to be the most economical, efficient or capable of attracting subscribers or stimulating usage and the Group may develop or implement a technology that does not achieve widespread commercial success or that is not compatible with other newly developed technologies. Furthermore, the Group's competitors or new market entrants may introduce new or technologically superior mobile and fixed-line services before the Group does. In addition, the Group may not receive the necessary licences to provide services based on these new technologies or may be negatively impacted by unfavourable regulation regarding the usage of these technologies. If the Group is unable to effectively anticipate or react to technological changes in the telecommunications market, it could lose subscribers, provide a diminishing portion of its subscribers' total telecommunications usage or fail to attract new subscribers, all of which could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group must continue to upgrade its existing mobile and fixed-line networks in a timely manner in order to retain and expand its customer base in each of its markets and to successfully implement its strategy. Among other things, the needs of the Group's business could require it to:

- upgrade the functionality of the Group's networks to allow for the increased customisation of services;
- increase its UMTS/HSDPA coverage in some of its markets;
- enhance its LTE network based on customers' demand and on coverage requirements;
- maintain, expand and enhance customer service, network management and administrative systems;
- upgrade older systems and networks to adapt them to new technologies (e.g. 5G); and
- acquire or renew its telecom licences.

Many of these tasks, which require substantial additional investments, could create additional financial strain on the Group's business and financial condition, are not entirely under the Group's control and may be affected by applicable regulation. If the Group fails to execute them successfully, the Group's services and products may be less attractive to new customers and the Group may lose existing customers to its competitors, which could adversely affect its business, financial condition and results of operations. In addition, the Group may not be able to fund such capital expenditures or source the necessary resources to keep pace with technological developments or successfully anticipate or react to these changes, which could have a material adverse effect on the Group's financial condition and results of operations.

Future Growth

The degree to which the mobile telecommunications market may expand is uncertain and will depend on numerous factors. Such factors include, among others, the business strategies and capabilities of the Group and its competitors, prevailing market conditions, the development of new and/ or alternate technologies for mobile telecommunications products and services, the development of new devices that require a mobile connection and the effect of applicable regulations. Many of these factors are beyond the Group's control. The Group's ability to attract new and retain existing subscribers or to grow its ARPU from both new and existing subscribers will depend in large part upon its ability to offer innovative services on new devices, stimulate and increase subscriber usage, convince subscribers to switch from competing mobile operators to its services and its ability to minimise subscriber discontinuation. In addition, the success of the Group relies on increasing its customer base and operating margins to remain profitable as well as growing profitability. In order to grow and retain its customer base, the Group has made significant investments in CACs in each of the markets in which it operates. The Group may need to incur more capital expenditure to expand or improve its mobile network and incur more CACs to retain and build its customer base. The Group may not be successful in growing its customer base and improving operating margins to a level sufficient for covering incremental operating costs, customer acquisition and retention costs and capital expenditure requirements.

The Group continues to cautiously expand through undertaking selective mergers, acquisitions and disposal activities if appropriate opportunities in the market arise. Success of the Group's mergers and acquisitions will depend, among other things, on the ability of the Group to realise the expected synergies, cost savings and growth opportunities upon integration of the merged or acquired businesses. These businesses may require significant investment and the commitment of executive management time and other resources. There can be no assurance that a failure to operate the merged or acquired businesses successfully or a longer than projected period to realise the expected synergies will not have a material adverse effect on the Group's financial condition, results of operations and prospects.

The Group has made substantial investments in acquiring telecommunications licences and developing its mobile networks and growing its customer bases in Europe, Hong Kong and Macau. The Group may need to incur more capital expenditure to expand, improve or upgrade its mobile networks, acquire additional spectrum licences, and incur more customer acquisition and retention costs to retain and build its customer bases. There can be no assurance that any additional investments will further increase customer levels and operating margins, and consequently, additional investments may materially and adversely impact the Group's financial condition and results of operations.

Realisation of Deferred Tax Assets

As of 31 December 2020, the Group had a total deferred tax asset balance[1] of €1,767 million. The ultimate realisation of deferred tax assets recognised depends principally on these businesses achieving profitability and generating sufficient taxable profits to utilise the underlying unused tax losses. In each of the countries and locations that the Group operates, taxation losses may be carried forward indefinitely. In addition, in the UK, the Group benefits from the availability of group relief in relation to taxation losses generated by its telecommunications operations to offset taxable profits from other businesses of the parent company, CKHH, in the same period. It may be necessary for some or all of the deferred tax assets recognised to be reduced and charged to the income statement if there is a significant adverse change in the projected performance and resulting projected taxable profits of these businesses. Judgement is required to determine key assumptions adopted in the taxable profit and loss projections and changes to key assumptions used can significantly affect these taxable profit and loss projections. If there is a significant adverse change in taxation rates and legislations, or in the projected performance and resulting cash flow projections of these businesses, some or all of these deferred tax assets may need to be reduced and charged to the income statement, which could have a material adverse effect on the Group's financial condition and results of operations.

Completion risk of mergers, acquisitions and disposals

The Group may from time to time engage in mergers, acquisitions, joint ventures, other consolidation transactions between its businesses and certain third party companies (including competitors), or disposals. Such transactions are typically subject to merger, anti-trust and other regulatory approvals by the competent authorities who may only approve the transaction subject to conditions, or who may prohibit the transaction. There can be no assurance that such approvals or other conditions would be obtained or satisfied and even if such approvals are obtained, third parties may initiate proceedings to appeal against such approvals. If a proposed transaction is prohibited or the relevant approvals are revoked and the transaction cannot be completed, the Group will have incurred significant legal, accounting and other costs in connection with the transaction without realising its anticipated benefits, which may have included increased earnings, scale, competitive strength and market share. As a consequence, the Group's financial position and results of operations could be negatively impacted. In the case of potential mergers or acquisitions, such third party companies may also choose to merge with or be acquired by another of the Group's competitors, which could result in a new competitor with greater scale, financial strength and other resources. As a result, if a transaction is prohibited by a competent authority or if a transaction is approved but such approval is subsequently revoked, it could have a material adverse impact on the Group's business, financial condition and results of operations.

Impact of National, European Union and International Law and Regulatory Requirements

As a global business, the Group is exposed to local business risks in several different countries, which could have a material adverse effect on its financial condition and results of operations. The Group operates in various countries around the world and may increasingly become exposed to different and changing government policies, political, social, legal and regulatory requirements at the national or international level, including but not limited to those required by the European Union ("EU") or the World Trade Organisation ("WTO") or national authorities. These include:

- changes in tariffs and trade barriers, including changes which may result from the UK's withdrawal from the EU;
- changes in taxation regulations and interpretations;

Note 1: Under Post-IFRS 16 basis, the Group had a total deferred tax asset balance of €1,784 million.

- competition (anti-trust) laws applicable to the Group's activities, including the regulation of monopolies and the conduct of dominant firms, the prohibition of anti-competitive agreements and practices, and laws requiring the approval of certain mergers, acquisitions and joint ventures which could restrict the Group's ability to own or operate subsidiaries or acquire new businesses in certain jurisdictions and/or result in imposition of fines on the relevant operations;
- changes in the process of or the conditions or criteria to obtaining or maintaining licences, permits and governmental approvals necessary to operate certain businesses;
- conditions or criteria to obtaining or maintaining assets that may be viewed by governments or regulatory authorities as critical assets for national security purposes;
- telecommunications and broadcasting regulations; and
- environmental, safety, employee and consumer protection laws, rules and regulations.

There can be no assurance that the European institutions and/or the regulatory authorities of the countries in which the Group operates will not make decisions or interpret and implement regulations in a manner that materially and adversely affects the Group's financial condition and results of operations in the future.

The Group is only permitted to provide telecommunications services and operate networks under licences (including spectrum licences for mobile telecommunications) and/or authorisations granted under the national laws of each country in which it operates. Some spectrum licences have historically been issued for fixed terms and subsequently renewed and/or reauctioned. There can be no assurance, however, that any application for the renewal or participation in any auction of one or more of these licences will be successful or granted on equivalent or satisfactory terms. Governments and/or regulatory authorities may also impose auction rules and/or licence conditions relating to national security, which could result in an operator being denied access to the spectrum and/or revocation of a licence.

In addition, the Group may not be successful in obtaining licences for spectrum bands enabling new mobile technologies that may be developed in the future (including 5G) and will likely face competition for any such licences. Due to changes in legislation, the Group's mobile telecommunications licences in the UK and Italy effectively provide for perpetual renewal rights. Telecommunications licences (including spectrum licences) and authorisation may contain regulatory requirements and carrier obligations regarding the way the operator must conduct its businesses (such as price controls and non-discrimination obligations), as well as network quality and coverage. Failure to meet these requirements could result in damage awards, fines, penalties, suspensions or other sanctions including, ultimately, revocation of the licences. Decisions by regulators with respect to the granting, amendment or renewal of licences to the Group or other parties (such as spectrum allocation to other parties or relaxation of constraints with respect to the technology or specific service that may be deployed in the given spectrum band), or changes to the process of or the conditions or criteria to obtaining or maintaining spectrum or other licences necessary for the Group's mobile telecommunications business, could result in the Group facing unforeseen competition and/or could materially and adversely affect the Group's financial condition and results of operations.

Accounting

The International Accounting Standards Board ("IASB"), issuer of International Financial Reporting Standards ("IFRS"), may in the future issue more new and revised standards, amendments and interpretations, including those required to conform to standards, amendments and interpretations issued from time to time by the IASB. Such factors may require adoption of new accounting policies. There can be no assurance that the adoption of new accounting policies or new IFRS will not have a significant impact on the Group's financial condition and results of operations.

Impact of Regulatory Reviews

A subsidiary of the Group and investments issued by subsidiaries of the Group are listed on various stock exchanges around the world and are subject to regulatory reviews of their various filings by the respective stock exchange's regulatory bodies and/or other regulatory authorities. While such subsidiaries of the Group endeavour to comply with all regulatory requirements of the various stock exchanges and other authorities in the countries in which they operate, and obtain independent professional advice as appropriate, there can be no assurance that the regulatory bodies' review will not result in a disagreement with the Group's interpretations and judgements and that any required actions mandated by the authorities will not have an adverse impact on the Group's reported financial position and results of operations.

Natural Disasters

Some of the Group's assets and projects, and many of the Group's customers and suppliers are located in areas at risk of damage from earthquakes, floods and typhoons. The occurrence of any such damage could disrupt the Group's business materially and adversely affect the Group's financial condition and results of operations.

Although the Group has not experienced any significant structural damage to assets from earthquakes to date, there can be no assurance that future earthquakes or other natural disasters will not occur and result in major damage to the Group's assets, or on the general supporting facilities in the vicinity, which could materially and adversely affect the Group's financial condition and results of operations.

Climate Change

Scientific evidence has shown that the Earth's temperature is rising due to an increase in greenhouse gases. This has already created, and will continue to create, a number of negative effects to the environment including loss of sea ice, sea level rise and more frequent and severe water events.

Some of the Group's assets, businesses and supply chain are located in areas that would be affected in the medium to long term by the physical effects of such climate change. Extreme weather events may also pose increased risk for the Group's stakeholders such as the Group's employees, customers, suppliers living and working in those locations. Further, as many countries seek to transition to low carbon economies, governments are increasingly introducing legislation to restrict emissions and incentivist environmental protection measures. Other market changes may also influence the Group's business such as changing consumer preferences in favour of companies that are more sustainable.

Together these physical and transition risks arising from climate change could have a material impact on the Group's business and adversely affect the Group's financial condition and results of operations.

Political Unrest and Terrorist Attacks

The Group has presence in various countries around the world. There can be no assurance that all of these countries will remain politically stable or immune to terrorist attacks, and if any of these countries suffers from political unrest or terrorist attacks, it may have an adverse impact on the Group's financial condition and results of operations.

Impact of Possible Economic Sanctions on Business Partners, Suppliers or Businesses in General

Governments and multinational organisations (including the State Department and the Department of the Treasury's Office of Foreign Assets Control (OFAC) of the US and the United Nations), from time to time administer certain laws and regulations that impose restrictions with respect to activities or transactions with certain countries, governments, entities and individuals that are the subject of economic sanctions. There can be no assurance that such sanctions or other restrictions will not affect the jurisdictions in which the Group conducts its business, any of the Group's business partners or suppliers or otherwise. To the extent that any such sanction or restriction is imposed in any jurisdictions where the Group's business operates, the Group may need to cease operations in those jurisdictions and suffer losses in that regard. If any of the Group's business partners or suppliers is impacted by sanctions or restrictions, provision of goods, services or support by them may be disrupted or discontinued, which may affect the Group's ability to continue to operate related businesses. If any of the Group's business partners is affected by sanctions or restrictions, the continuation or disruption of strategic alliance with such business partners may also affect the Group's ability to continue to operate related businesses and/or may result in suspension of operations. There can be no assurance that the Group will be able to obtain alternative goods, services, support or alliance it needs for the operation of its business, in a timely manner or at competitive terms, and no assurance that any compensation recoverable from business partners or suppliers for the discontinued or disrupted supply, service, support or alliance will be available or adequate. Any of these factors could have a material adverse effect on the Group's financial condition and results of operations.

Cyber Security Risks

Cyber attacks, including through the use of malware, computer viruses, dedicated denial of services attacks, credential harvesting and other means for obtaining unauthorised access to or disrupting the operation of the networks, systems and data base of the Group or its suppliers, vendors and other service providers, could have an adverse effect on the Group's business, operations and reputation. Cyber attacks may cause equipment failures, loss or leakage of data, including personal data of customers or employees and technical and trade information, as well as disruptions to the Group's or its customers' operations. Corporate cyber attacks have increased in frequency, scale and severity in recent years. Further, the perpetrators of cyber attacks are not restricted to particular groups or persons. These attacks may be committed by company employees or external parties operating in any geography, including jurisdictions where law enforcement measures to address such attacks are unavailable or ineffective, and may even be launched by or at the behest of nation states. The measures deployed by the Group may not be able to prevent, eliminate or minimise the risks associated with cyber attacks.

Any operational impacts caused by cyber attacks to the networks, systems and data base of the Group or its suppliers, vendors and other service providers, even for a limited period of time, may result in costly remedial expenses and/or a loss of business. The costs required to remedy a major cyber attack on the Group could include expensive incentives to certain existing customers and business partners, increased expenditures on cyber security measures and the use of alternate resources. The Group may also suffer a loss of revenue owing to business interruption and claims from regulators and other third parties. The potential costs associated with these attacks could exceed the insurance coverage the Group maintains. In addition, a compromise of security or leakage of data, such as personal data and technical and trade information, could result in third party claims and/or regulatory claims or investigations. Any of these occurrences could damage the Group's reputation, adversely impact customer and investor confidence, and materially and adversely affect the Group's financial condition and results of operations.

Compliance with Data Protection Legislation

In the ordinary course of its operations, various members of the Group collect, store and use data that is protected by data protection laws in the different countries in which they operate. As regulatory focus on privacy issues continues to increase and worldwide laws and regulations concerning the handling of personal information expand and become more complex, potential risks related to data collection and use within the Group's business are expected to intensify. For example, the General Data Protection Regulation (2016/679/EU), which came into effect in May 2018, introduced a number of changes to EU data protection legislation such as permitting national supervisory authorities in the EU to levy administrative penalties of up to 4 per cent. of companies' global annual turnover in cases of significant non-compliance and direct liability for breach by data processors.

In the event that any relevant member of the Group is unable to meet its obligations under applicable data protection laws, it may be subject to regulatory action or civil claims. The cost of regulatory or legal action, and any monetary and/or reputational damage suffered as a result of such action, could have a material adverse effect on the Group's financial condition and results of operations.

Labour disputes

In case of material changes to current terms and conditions of employment, and the Group's employees react adversely to any such changes, the Group may experience significant labour disputes and work disruption at one or more of its operating offices. The Group also relies on a number of third parties, for example equipment and telecommunications providers. Labour disputes involving such third parties may affect provision of services or products to the Group. Both cases could materially adversely affect the Group's business, financial condition and results of operations.

UK's Exit from the EU

The UK formally left the EU on 31 January 2020. As agreed in the withdrawal agreement, a transition period was implemented until 31 December 2020, during which time EU laws and regulations continued to apply broadly as before.

The UK-EU Trade and Cooperation Agreement ("TCA") was finalised on 24 December 2020 and came into force from 1 January 2021. The TCA sets out all aspects of the new UK-EU relationship, such as trade, security, areas of ongoing collaboration/cooperation and governance.

The long-term impact of the UK's decision to leave the EU is not known and will depend on the implementation of the final terms agreed between the UK and the EU in the TCA as well as on the UK's ability to secure favourable trade and investment terms with countries outside the EU. There is considerable uncertainty as to the impact of the UK's exit from the EU on the general economic conditions in the UK or its wider impact in the EU. As such, no assurance can be given as to the impact of the UK's departure from the EU and, in particular, no assurance can be given that such matters would not adversely affect the Group's financial condition and results of operations

Past Performance and Forward Looking Statements

The performance and the results of operations of the Group contained within this Results Announcement are historical in nature, and past performance is no guarantee of the future results of the Group. Any forward-looking statements and opinions contained within this Results Announcement are based on current plans, estimates and projections, and therefore involve risks and uncertainties. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions. The Group, the Directors, employees and agents of the Group assume (a) no obligation to correct or update the forward-looking statements or opinions contained in this Results Announcement; and (b) no liability in the event that any of the forward-looking statements or opinions do not materialise or turn out to be incorrect.

Sustainability Response to COVID-19

The COVID-19 pandemic has fundamentally changed the way society interacts as measures globally have been put in place to reduce physical contact to slow the spread of the virus. The telecommunications industry has therefore needed to play a vital role in keeping people connected as they are confined to work, study and be entertained from home. This new reality has created unprecedented challenges for our employees, customers and communities and the Group has responded quickly to support its stakeholders through this difficult period.

Our employee health and safety has, and will continue to be, our top priority. Operational sites have been reconfigured to meet secure safety protocols including enhanced cleaning, supervision, one-way systems, social distancing, face coverings and sanitisation. Cross functional task forces were established to support safety and sanitisation measures, health and mental wellbeing initiatives, work-from-home setup and the development of virtual working hubs.

Across the Group, customers were offered free data access and calls to healthcare support websites and hotlines. For example, the UK zero-rated access to the NHS website, the COVID hotline, victim support and domestic abuse services, and Hospedia, the communication network enabling hospital patients to contact home. Italy also enabled free access to Senior Italia FederAnziani, a popular support hotline for senior customers, and Ireland donated 3Connect services for smoother remote working to Aware, the mental health support service which has seen a sharp increase in the number of callers as a result of the pandemic.

In the early days of the pandemic when customers found themselves stuck abroad in the face of lockdowns, Sweden and Denmark offered all customers free data, calls and texts to their home country to stay connected. Denmark further doubled the amount of data for voice subscriptions from May – November 2020 to assist customers needing to spend more time online from home. Hong Kong also collaborated with Microsoft to provide corporate customers with free subscriptions of Microsoft Office 365 to assist the local business community with remote working.

Community support initiatives across the Group prioritised supporting healthcare services and those most in need. Italy donated one million euros to local hospitals via the Red Cross and frontline hospital workers in the UK were supported with unlimited calls, texts and data. Understanding the difficulties felt by local businesses and school children needing to make the switch to online learning, the Group donated internet packages to small and medium enterprises in Austria, Zoom classroom accounts in Hong Kong, tablets, internet access and school materials to underprivileged families in Italy, and phones and sims with unlimited data to 160 schools around Ireland. The UK also zero-rated the Oak National Academy, a UK Government-based online educational resource that has helped thousands of school children across the UK receive free video lessons and resources.

CK Hutchison Group Telecom Financial Performance Summary

	Pre-IFRS 16 [1] 2020 EUR million	Pre-IFRS 16 [1] 2019 EUR million	Change %	Local currencies change %
Total Revenue [2]				
3 Group Europe	**9,685**	9,977	-3%	-3%
- UK	**2,640**	2,722	-3%	-1%
- Italy	**4,656**	4,854	-4%	-4%
- Sweden	**644**	638	1%	–
- Denmark	**302**	293	3%	3%
- Austria	**850**	867	-2%	-2%
- Ireland	**593**	603	-2%	-2%
Hong Kong	**510**	637	-20%	-19%
Corporate and others	**36**	49	-27%	-29%
Total Revenue	**10,231**	10,663	-4%	-4%
EBITDA [2]				
3 Group Europe	**3,539**	3,821	-7%	-7%
- UK	**619**	818	-24%	-22%
- Italy	**2,000**	2,100	-5%	-5%
- Sweden	**215**	206	4%	3%
- Denmark	**110**	113	-3%	-3%
- Austria	**378**	373	1%	1%
- Ireland	**217**	211	3%	3%
Hong Kong	**151**	158	-4%	-3%
Corporate and others	**1,619**	49	3204%	3196%
Total EBITDA	**5,309**	4,028	32%	32%
EBIT [2]				
3 Group Europe	**1,838**	2,293	-20%	-20%
- UK	**217**	436	-50%	-49%
- Italy	**1,138**	1,357	-16%	-16%
- Sweden	**108**	115	-6%	-7%
- Denmark	**56**	63	-11%	-12%
- Austria	**226**	233	-3%	-3%
- Ireland	**93**	89	4%	4%
Hong Kong	**56**	66	-15%	-15%
Corporate and others	**1,618**	49	3202%	3194%
Total EBIT	**3,512**	2,408	46%	46%
Interest expenses and other finance costs [2]	**(140)**	(395)	65%	
Profit Before Tax	**3,372**	2,013	68%	
Tax [2]				
Current tax	**(86)**	(48)	-79%	
Deferred tax	**14**	(146)	110%	
	(72)	(194)	63%	
Profit after tax	**3,300**	1,819	81%	
Non-controlling interests	**(62)**	(71)	13%	
Profit attributable to ordinary shareholders ("NPAT")	**3,238**	1,748	85%	85%

Note 1: The Group believes that the precedent lease accounting standard International Accounting Standard 17 "Leases" ("IAS 17") basis ("Pre-IFRS 16 basis") metrics, which are not intended to be a substitute for, or superior to, the reported metrics on a International Financial Reporting Standard 16 "Leases" basis ("Post-IFRS 16 basis"), better reflects management's view of the Group's underlying operational performance. IAS 17 basis metrics financial information is regularly reviewed by management and used for resource allocation, performance assessment and internal decision-making. As a result, the Group has provided an alternative presentation of the Group's EBITDA, EBIT, interest expenses and other finance costs, tax, non-controlling interests and profit attributable to ordinary shareholders prepared under the Pre-IFRS 16 basis relating to the accounting for leases for the years ended 31 December 2019 and 2020. Unless otherwise specified, the discussion of the Group's operating results in this results announcement is on a Pre-IFRS 16 basis as mentioned above.

Note 2: Total revenue, EBITDA, EBIT, interest expenses and other finance costs and tax include the Group's proportionate share of joint ventures' respective items.

CK Hutchison Group Telecom
Financial Performance Summary

	Post-IFRS 16 2020 EUR million	Post-IFRS 16 2019 EUR million	Change %
Total Revenue [1]			
3 Group Europe	**9,685**	9,977	-3%
- UK	**2,640**	2,722	-3%
- Italy	**4,656**	4,854	-4%
- Sweden	**644**	638	1%
- Denmark	**302**	293	3%
- Austria	**850**	867	-2%
- Ireland	**593**	603	-2%
Hong Kong	**510**	637	-20%
Corporate and others	**36**	49	-27%
Total Revenue	**10,231**	10,663	-4%
EBITDA [1]			
3 Group Europe	**4,390**	4,575	-4%
- UK	**740**	912	-19%
- Italy	**2,581**	2,621	-2%
- Sweden	**249**	237	5%
- Denmark	**130**	133	-2%
- Austria	**427**	422	1%
- Ireland	**263**	250	5%
Hong Kong	**201**	211	-5%
Corporate and others	**1,638**	49	3243%
Total EBITDA	**6,229**	4,835	29%
EBIT [1]			
3 Group Europe	**1,918**	2,388	-20%
- UK	**241**	455	-47%
- Italy	**1,168**	1,406	-17%
- Sweden	**111**	119	-7%
- Denmark	**58**	66	-12%
- Austria	**235**	242	-3%
- Ireland	**105**	100	5%
Hong Kong	**57**	68	-16%
Corporate and others	**1,637**	49	3241%
Total EBIT	**3,612**	2,505	44%
Interest expenses and other finance costs [1]	**(245)**	(512)	52%
Profit Before Tax	**3,367**	1,993	69%
Tax [1]			
Current tax	**(84)**	(50)	-68%
Deferred tax	**14**	(147)	110%
	(70)	(197)	64%
Profit after tax	**3,297**	1,796	84%
Non-controlling interests	**(62)**	(71)	13%
Profit attributable to ordinary shareholders ("NPAT")	**3,235**	1,725	88%

Note 1: Total revenue, EBITDA, EBIT, interest expenses and other finance costs and tax include the Group's proportionate share of joint ventures' respective items.

INDEPENDENT AUDITOR'S REPORT
TO THE BOARD OF DIRECTORS OF CK HUTCHISON GROUP TELECOM HOLDINGS LIMITED (THE "COMPANY")
(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of CK Hutchison Group Telecom Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 27 to 99, which comprise:
- the consolidated statement of financial position as at 31 December 2020 and 31 December 2019;
- the consolidated income statement for each of the two years then ended;
- the consolidated statement of comprehensive income for each of the two years then ended;
- the consolidated statement of changes in equity for each of the two years then ended;
- the consolidated statement of cash flows for each of the two years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for each of the two years then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in Operations Review and Others and Financial Performance Summary, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 18 March 2021

CK Hutchison Group Telecom Holdings Limited
Consolidated Income Statement
for the year ended 31 December 2020

	Note	**2020** **EUR million**	As re-expressed Note 3 2019 EUR million
Revenue	4, 5	**10,217**	10,647
Cost of inventories sold	6	**(169)**	(249)
Expensed customer acquisition and retention costs		**(1,822)**	(2,003)
Staff costs		**(695)**	(698)
Depreciation and amortisation	5	**(2,612)**	(2,325)
Other expenses and losses	6	**(3,059)**	(2,868)
Other income and gains	6	**1,750**	-
Share of profits less losses of joint ventures		**(1)**	(2)
		3,609	2,502
Interest expenses and other finance costs	7	**(243)**	(510)
Profit before tax		**3,366**	1,992
Current tax	8	**(83)**	(49)
Deferred tax credit (charge)	8	**14**	(147)
Profit after tax		**3,297**	1,796
Profit attributable to non-controlling interests		**(62)**	(71)
Profit attributable to owners of the Company		**3,235**	1,725

CK Hutchison Group Telecom Holdings Limited
Consolidated Statement of Comprehensive Income
for the year ended 31 December 2020

	Note	**2020** **EUR million**	As re-expressed Note 3 2019 EUR million
Profit after tax		**3,297**	1,796
Other comprehensive income (losses)			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit obligations recognised directly in reserves		**1**	(2)
Tax relating to items that will not be reclassified to profit or loss	27	**-**	-
		1	(2)
Items that have been reclassified or may be subsequently reclassified to profit or loss:			
Gains (losses) on cash flow hedges recognised directly in reserves		**12**	(16)
Gains (losses) on translating overseas subsidiaries' net assets recognised directly in reserves		**(427)**	250
Losses previously in exchange reserve related to subsidiaries disposed during the year recognised in income statement		**8**	-
Tax relating to items that have been reclassified or may be subsequently reclassified to profit or loss	27	**-**	2
		(407)	236
Other comprehensive income (losses), net of tax		**(406)**	234
Total comprehensive income		**2,891**	2,030
Total comprehensive income attributable to non-controlling interests		**(43)**	(79)
Total comprehensive income attributable to owners of the Company		**2,848**	1,951

CK Hutchison Group Telecom Holdings Limited
Consolidated Statement of Financial Position
at 31 December 2020

	Note	**31 December 2020 EUR million**	As re-expressed Note 3 31 December 2019 EUR million	As re-expressed Note 3 1 January 2019 EUR million
Non-current assets				
Fixed assets	9	**7,400**	6,867	5,982
Right-of-use assets	10	**2,438**	2,947	2,749
Telecommunications licences	11	**6,760**	6,941	6,789
Brand names and other rights	12	**3,908**	4,026	3,911
Goodwill	13	**14,080**	14,189	14,162
Interests in joint ventures	14	**33**	43	45
Deferred tax assets	15	**1,784**	2,042	2,137
Other non-current assets	16	**813**	778	554
		37,216	37,833	36,329
Current assets				
Cash and cash equivalents	17	**3,752**	2,376	2,563
Inventories		**182**	233	255
Trade receivables and other current assets	18	**3,149**	3,207	3,876
		7,083	5,816	6,694
Assets classified as held for sale	19	**132**	17	263
		7,215	5,833	6,957
Current liabilities				
Bank and other debts	20	**-**	-	173
Current tax liabilities		**67**	9	3
Lease liabilities	10	**662**	758	551
Trade payables and other current liabilities	21	**4,566**	4,448	6,191
Amounts due to CKHH group entities		**-**	-	3,868
		5,295	5,215	10,786
Liabilities directly associated with assets classified as held for sale	19	**30**	-	-
		5,325	5,215	10,786
Net current assets (liabilities)		**1,890**	618	(3,829)
Total assets less current liabilities		**39,106**	38,451	32,500
Non-current liabilities				
Bank and other debts	20	**8,942**	9,911	10,344
Lease liabilities	10	**2,019**	2,447	2,369
Deferred tax liabilities	15	**28**	24	35
Pension obligations	23	**75**	77	74
Other non-current liabilities	24	**1,921**	2,219	1,844
Amounts due to CKHH group entities		**-**	-	5,782
		12,985	14,678	20,448
Net assets		**26,121**	23,773	12,052

CK Hutchison Group Telecom Holdings Limited
Consolidated Statement of Financial Position
at 31 December 2020

	Note	**31 December 2020 EUR million**	As re-expressed Note 3 31 December 2019 EUR million	As re-expressed Note 3 1 January 2019 EUR million
Capital and reserves				
Share capital	25 (a)	**-**	-	-
Share premium	25 (a)	**20,917**	20,917	-
Reserves		**4,024**	1,591	10,631
Equity attributable to owners of the Company		**24,941**	22,508	10,631
Non-controlling interests		**1,180**	1,265	1,421
Total equity		**26,121**	23,773	12,052

Fok Kin Ning, Canning
Director

Frank John Sixt
Director

CK Hutchison Group Telecom Holdings Limited
Consolidated Statement of Changes in Equity
for the year ended 31 December 2020

	Attributable to				
	Owners of the Company				
	Share capital and share premium [(a)] EUR million	Reserves [(b)] EUR million	Sub-total EUR million	Non-controlling interests EUR million	Total equity EUR million
At 1 January 2020, as re-expressed (see note 3)	**20,917**	**1,591**	**22,508**	**1,265**	**23,773**
Profit for the year	**-**	**3,235**	**3,235**	**62**	**3,297**
Other comprehensive income (losses)					
Remeasurement of defined benefit obligations recognised directly in reserves	**-**	**1**	**1**	**-**	**1**
Gains on cash flow hedges recognised directly in reserves	**-**	**12**	**12**	**-**	**12**
Losses on translating overseas subsidiaries' net assets recognised directly in reserves	**-**	**(408)**	**(408)**	**(19)**	**(427)**
Losses previously in exchange reserve related to subsidiaries disposed during the year recognised in income statement	**-**	**8**	**8**	**-**	**8**
Other comprehensive income (losses), net of tax	**-**	**(387)**	**(387)**	**(19)**	**(406)**
Total comprehensive income	**-**	**2,848**	**2,848**	**43**	**2,891**
Transaction with owners in their capacity as owners:					
Dividends paid to non-controlling interests	**-**	**-**	**-**	**(43)**	**(43)**
Relating to purchase of non-controlling interests [(d)]	**-**	**(415)**	**(415)**	**(85)**	**(500)**
	-	**(415)**	**(415)**	**(128)**	**(543)**
At 31 December 2020	**20,917**	**4,024**	**24,941**	**1,180**	**26,121**

(a) See note 25(a) for further details on share capital and share premium.
(b) See note 26 for further details on reserves.
(c) During the year ended 31 December 2020, no dividend has been paid or declared by the Company. Dividends during the comparative year ended 31 December 2019 represented dividends declared by the companies now comprising the Group to the then owners of the companies, after eliminating intra-group dividends. The rates of dividends and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of these financial statements.
(d) See note 26(c).

CK Hutchison Group Telecom Holdings Limited
Consolidated Statement of Changes in Equity
for the year ended 31 December 2020

	Attributable to				
	Owners of the Company				
	Share capital and share premium [(a)] EUR million	Reserves [(b)] EUR million	Sub-total EUR million	Non-controlling interests EUR million	Total equity EUR million
At 1 January 2019, as re-expressed (see note 3)	-	10,631	10,631	1,421	12,052
Profit for the year, as re-expressed (see note 3)	-	1,725	1,725	71	1,796
Other comprehensive income (losses), as re-expressed (see note 3)					
Remeasurement of defined benefit obligations recognised directly in reserves	-	(2)	(2)	-	(2)
Losses on cash flow hedges recognised directly in reserves	-	(16)	(16)	-	(16)
Gains on translating overseas subsidiaries' net assets recognised directly in reserves	-	242	242	8	250
Tax relating to components of other comprehensive income (losses)	-	2	2	-	2
Other comprehensive income, net of tax, as re-expressed (see note 3)	-	226	226	8	234
Total comprehensive income, as re-expressed (see note 3)	-	1,951	1,951	79	2,030
Transaction with owners in their capacity as owners, as re-expressed (see note 3):					
Dividends paid to CKHH group entities prior to the Reorganisation [(c)]	-	(399)	(399)	-	(399)
Dividends paid to non-controlling interests	-	-	-	(204)	(204)
Relating to purchase of non-controlling interests	-	(22)	(22)	(31)	(53)
Issue of new shares pursuant to the Reorganisation	20,917	-	20,917	-	20,917
Arising from the Reorganisation	-	(10,570)	(10,570)	-	(10,570)
	20,917	(10,991)	9,926	(235)	9,691
At 31 December 2019, as re-expressed (see note 3)	20,917	1,591	22,508	1,265	23,773

(a) See note 25(a) for further details on share capital and share premium.
(b) See note 26 for further details on reserves.
(c) During the year ended 31 December 2020, no dividend has been paid or declared by the Company. Dividends during the comparative year ended 31 December 2019 represented dividends declared by the companies now comprising the Group to the then owners of the companies, after eliminating intra-group dividends. The rates of dividends and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of these financial statements.
(d) See note 26(c).

CK Hutchison Group Telecom Holdings Limited
Consolidated Statement of Cash Flows
for the year ended 31 December 2020

	Note	**2020** **EUR million**	As re-expressed Note 3 2019 EUR million
Operating activities			
Cash generated from operating activities before interest expenses and other finance costs, tax paid and changes in working capital	28 (a)	**4,120**	4,455
Interest expenses and other finance costs paid (net of capitalisation)		**(213)**	(472)
Tax paid		**(54)**	(112)
Funds from operations (before payment of lease liabilities)		**3,853**	3,871
Changes in working capital	28 (b)	**(442)**	(480)
Net cash from operating activities		**3,411**	3,391
Investing activities			
Purchase of fixed assets		**(2,099)**	(1,831)
Additions to telecommunications licences		**(74)**	(141)
Additions to brand names and other rights		**(197)**	(316)
Repayments of loans from joint ventures		**3**	-
Purchase of and advances to joint ventures		**(8)**	(12)
Proceeds from disposal of fixed assets		**55**	7
Proceeds on disposal of subsidiary companies	28 (c)	**2,186**	-
Cash flows used in investing activities		**(134)**	(2,293)
Net cash inflows before financing activities		**3,277**	1,098
Financing activities			
New borrowings	28 (d)	**100**	20,316
Repayment of borrowings	28 (d)	**(1,050)**	(20,951)
Payment of lease liabilities	28 (d)	**(798)**	(623)
Net loans from CKHH group entities	28 (d)	**-**	594
Payment to acquire additional interests in subsidiary companies		**(110)**	(53)
Proceeds from issue of shares		**-**	49
Dividends paid to CKHH group entities prior to the Reorganisation		**-**	(408)
Dividends paid to non-controlling interests		**(43)**	(209)
Cash flows used in financing activities		**(1,901)**	(1,285)
Increase (decrease) in cash and cash equivalents		**1,376**	(187)
Cash and cash equivalents at 1 January		**2,376**	2,563
Cash and cash equivalents at 31 December		**3,752**	2,376
Cash and cash equivalents	17	**3,752**	2,376
Total principal amount of bank and other debts	20	**8,988**	9,972
Net debt		**5,236**	7,596

CK Hutchison Group Telecom Holdings Limited
Notes to the Financial Statements

1 General Information

CK Hutchison Group Telecom Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands and is an indirect wholly owned subsidiary of CK Hutchison Holdings Limited ("CKHH"), which is a limited company incorporated in the Cayman Islands and whose shares are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). Pursuant to an internal reorganisation exercise implemented by CKHH, which was completed on 30 July 2019 (the "Reorganisation"), the telecommunications businesses of CKHH and its subsidiaries in Europe and in Hong Kong and Macau of the People's Republic of China have been reorganised under the Company.

The consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") as at and for the year ended 31 December 2020 (the "Annual Financial Statements") were authorised for issue by the Company's board of directors on 18 March 2021.

The Operations Review and Others issued as part of the Group's 2020 Results Announcement includes a discussion and analysis of the performance of the Group's businesses for the current year, including the impacts of the Coronavirus Disease 2019 ("COVID-19") pandemic on, and relevant principal risk and uncertainties affecting, the Group's operations, and measures taken to manage the impacts, and other important corporate transactions conducted during the year.

2 Use of judgements, assumptions and estimates

The Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"). The preparation of financial statements under IFRS requires entities to make judgements, estimates and assumptions about the reported amounts and the accompanying disclosures.

In preparing the Annual Financial Statements, the Group has made accounting related estimates based on assumptions about current and, for some estimates, future economic and market conditions that the Group considers are relevant and reasonable. It is reasonably possible that actual conditions could differ significantly from our expectations, given the road to post-pandemic normal and economic recovery will not be straightforward. Hence, our accounting estimates and assumptions could change over time in response to how economic and market conditions develop.

Uncertainty about these judgements, assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected, and the amounts and timing of results of operations and cash flows, and the accompanying disclosures in future periods.

Note 37 sets out further information on our significant accounting judgements, estimates and assumptions applied in preparing the Annual Financial Statements.

3 Basis of preparation

Management has assessed the potential cash generation of the Group, the liquidity of the Group, existing funding available to the Group and COVID-19 mitigating actions which have been and may be taken to reduce discretionary spend and other operating cash outflows, and non-essential and non-committed capital expenditures. On the basis of these assessments, management has determined that, at the date on which the Annual Financial Statements were authorised for issue, the use of the going concern basis of accounting to prepare the Annual Financial Statements is appropriate.

The Annual Financial Statements have been prepared on a historical cost basis, except that defined benefit plans plan assets and certain financial assets and liabilities (including derivative instruments) are measured at fair values, and non-current assets and disposal group classified as held for sale are measured at the lower of carrying amount and fair value less cost to sell. In these financial statements, non-current assets classified as held for sale and assets of a disposal group classified as held for sale are presented separately from other assets in the consolidated statement of financial position. Liabilities directly associated with non-current assets classified as held for sale and liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated statement of financial position. Major classes of assets classified as held for sale and liabilities directly associated with these assets are disclosed separately in note 19.

The Group has changed the currency in which it presents its consolidated financial statements from Hong Kong dollars to Euro, in order to better reflect the underlying performance of the Group. A change in presentation currency is accounted for retrospectively as a change in accounting policy. Comparative financial information for the year ended 31 December 2019 previously reported in Hong Kong dollars has been re-expressed in the new presentation currency Euro using the procedures outlined below, as if Euro had always been the Group’s presentation currency:

- assets and liabilities denominated in non-Euro currencies were translated into Euro at the closing rates of exchange on the relevant balance sheet date;
- non-Euro income and expenditure were translated at the average rates of exchange prevailing for the relevant period;
- share capital, share premium and the other reserves were translated at the historic rates prevailing on the date of each transaction; and
- all exchange rates were extracted from the Group’s underlying financial records.

In addition to the change in presentation currency as mentioned above, the Group has adopted all of the new and revised standards, amendments and interpretations issued by the IASB that are relevant to the Group’s operations and mandatory for annual periods beginning 1 January 2020 and also has early adopted Amendment to IFRS 16: COVID-19-Related Rent Concessions ahead of its effective date. The adoption of these amendments to IFRS issued by the IASB did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods. Other than these changes, the accounting policies and methods of computation used in the preparation of the Annual Financial Statements are consistent with those used in the Group’s consolidated financial statements for the year ended 31 December 2019. A list of the significant accounting policies adopted in the preparation of these financial statements is set out in note 35.

4 Revenue

(a) An analysis of revenue of the Company and subsidiary companies is as follows:

	2020 EUR million	2019 EUR million
Sale of goods	**1,603**	1,836
Revenue from services	**8,597**	8,782
Interest	**17**	29
	10,217	10,647

(b) Further details are set out below in respect of revenue of the Company and subsidiary companies, including the disaggregation of revenue from contracts with customers within the scope of IFRS 15:

	Revenue from contracts with customers			**Revenue**	
	recognised at a point in time EUR million	**recognised over time EUR million**	**Subtotal EUR million**	**from other sources EUR million**	**2020 Total EUR million**
3 Group Europe	**1,465**	**8,219**	**9,684**	**-**	**9,684**
UK	***772***	***1,868***	***2,640***	**-**	***2,640***
Italy	***268***	***4,388***	***4,656***	**-**	***4,656***
Sweden	***196***	***448***	***644***	**-**	***644***
Denmark	***23***	***278***	***301***	**-**	***301***
Austria	***117***	***733***	***850***	**-**	***850***
Ireland	***89***	***504***	***593***	**-**	***593***
Hutchison Telecommunications Hong Kong Holdings	**138**	**372**	**510**	**-**	**510**
Corporate and Others	**-**	**6**	**6**	**17**	**23**
	1,603	**8,597**	**10,200**	**17**	**10,217**

	Revenue from contracts with customers			Revenue	
	recognised at a point in time EUR million	recognised over time EUR million	Subtotal EUR million	from other sources EUR million	2019 Total EUR million
3 Group Europe	1,611	8,365	9,976	-	9,976
UK	*789*	*1,933*	*2,722*	-	*2,722*
Italy	*382*	*4,472*	*4,854*	-	*4,854*
Sweden	*202*	*436*	*638*	-	*638*
Denmark	*23*	*269*	*292*	-	*292*
Austria	*131*	*736*	*867*	-	*867*
Ireland	*84*	*519*	*603*	-	*603*
Hutchison Telecommunications Hong Kong Holdings	225	412	637	-	637
Corporate and Others	-	5	5	29	34
	1,836	8,782	10,618	29	10,647

4 Revenue (continued)

(c) Contract balances related to contracts with customers within the scope of IFRS 15

Under IFRS 15, a contract asset or a contract liability is generated when either party to the contract performs, depending on the relationship between the entity's performance and the customer's payment. When an entity satisfies a performance obligation by transferring a promised goods or service, the entity has earned a right to consideration from the customer and, therefore, has a contract asset. When the customer performs first, for example, by prepaying its promised consideration, the entity has a contract liability. Generally, contract assets may represent conditional or unconditional rights to consideration. The right would be conditional, for example, when an entity is required first to satisfy another performance obligation in the contract before it is entitled to payment from the customer. If an entity has an unconditional right to receive consideration from the customer, the contract asset is classified as and accounted for as a receivable and presented separately from other contract assets. A right is unconditional if nothing other than the passage of time is required before payment of that consideration is due.

The following table provides information about trade receivables, contract assets and contract liabilities from contracts with customers within the scope of IFRS 15.

	2020 EUR million	2019 EUR million
Trade receivables (see note 18)	**1,137**	1,265
Contract assets (see notes 16 and 18)	**947**	852
Contract liabilities (see note 21)	**(328)**	(378)

Trade receivables are non-interest bearing and are generally on terms of 30 to 45 days. In 2020, EUR162 million (2019: EUR178 million) was recognised in the income statement as provision for expected credit losses on trade receivables.

Contract assets primarily relate to the Group's rights to consideration for delivered services and devices but not billed at the reporting date. Contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer. In 2020, EUR110 million (2019: EUR121 million) was recognised in the income statement as provision for expected credit losses on contract assets.

Contract liabilities primarily relate to the Group's unfulfilled performance obligations for which consideration has been received at the reporting date. On fulfilment of its obligations, the contract liability is recognised in revenue in the period when the performance obligations are fulfilled. EUR315 million (2019: EUR316 million) was recognised as revenue in 2020 that was included in the contract liability balance at the beginning of the year.

(d) Transaction price allocated to the remaining performance obligations

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied or partially unsatisfied at the reporting date. The Group applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose the amount of the transaction price allocated to the remaining performance obligations for contracts with an original expected duration of one year or less. In addition, contracts that include a promise to perform an undefined quantity of tasks at a fixed contractual rate per unit, with no contractual minimums that would make some or all of the consideration variable, are not included in the following analysis as the possible transaction prices and the ultimate consideration for those contracts will depend on the occurrence or non-occurrence of future customer usage. In light of these basis of preparation, the following does not reflect the expectation of the Group's future performance. The analysis is for compliance with IFRS 15 disclosure requirement in respect of transaction price allocated to the remaining performance obligations.

	2020 EUR million	2019 EUR million
Within one year	**1,558**	1,994
More than one year	**812**	869
	2,370	2,863

5 Operating segment information

(a) Basis of presentation of segment information, and description of segments and principal activities

In 2019, the Group has adopted the IFRS 16 "Leases" accounting standard (which relates to accounting for leases) for its statutory reporting but its management reporting has remained on the precedent lease accounting standard International Accounting Standard 17 "Leases" ("IAS 17"). The Group believes that the IAS 17 basis metrics, which are not intended to be a substitute for, or superior to, the reported metrics on a IFRS 16 basis ("Post-IFRS 16 basis"), better reflect management's view of the Group's underlying operational performances. IAS 17 basis metrics financial information is regularly reviewed by management and used for resource allocation, performance assessment and internal decision-making. Accordingly, segmental information is presented on a IAS 17 basis ("Pre-IFRS 16 basis"), except where indicated otherwise, together with reconciliation to the total under the Post-IFRS 16 basis. In addition, section (c) of this note sets out reconciliation from Pre-IFRS 16 basis metrics to Post-IFRS 16 basis metrics for the Group's consolidated income statement, consolidated statement of comprehensive income, and consolidated statement of cash flows for the current and comparative years, and the Group's consolidated statement of financial position as at 31 December 2020 and 2019.

The Group is a worldwide operator of mobile telecommunications networks, with operations spanning six European countries and Hong Kong and Macau of the People's Republic of China. The Group's telecom's operations in Europe ("**3** Group Europe") launched commercial operations in 2003 and comprise mobile telecommunications businesses in the UK, Sweden, Denmark, Austria and Ireland, offering mobile telecommunications services under the brand name "Three" or "**3**", and in Italy, offering mobile telecommunications services under the "Three" or "**3**" and "Wind" brand names, and fixed-line services under the "Infostrada" brand name. The Group's telecom's operations in Hong Kong has operated telecom networks for over 30 years and comprise an approximately 66.09% interest in Hutchison Telecommunications Hong Kong Holdings Limited ("HTHKH"), which is listed on the Stock Exchange. HTHKH is a mobile telecommunications operator that provides services in Hong Kong and Macau of the People's Republic of China under the "**3**" Brand. In November 2020, the Group entered into agreements to dispose interests in its European telecommunications tower assets in six European countries for an aggregate consideration of EUR10 billion. Transactions in respect of three countries were completed in December 2020. See note 5(b)(xiii) for further details.

The Group manages its businesses by divisions, which are organised by geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management and board of directors for the purposes of making decisions about resource allocation and performance assessment, the Group presents its operating segment information based on its telecom's operations in Europe under **3** Group Europe (with separate sub-totals for the telecom's operation in each of the six European countries mentioned above) and in Hong Kong and Macau of the People's Republic of China under Hutchison Telecommunications Hong Kong Holdings. Accordingly, no separate analysis by geographical location is provided in this note.

Corporate and Others is presented to reconcile to the totals included in the Group's income statement and statement of financial position, which covers the activities of other areas of the Group that are not presented separately, and includes centralised procurement, corporate head office operations and the returns earned on the Group's holdings of cash and cash equivalents.

Saved as disclosed in the notes below, the column headed as Company and Subsidiaries refers to the holding company of the Group and subsidiary companies' respective items, and the column headed as JV refers to the Group's share of joint ventures' respective items.

5 Operating segment information (continued)

(b) Segment results, assets and liabilities (continued)

(i) An analysis of revenue by segments

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments.

	Revenue							
	Company and Subsidiaries EUR million	**JV EUR million**	**2020 Total EUR million**	**%**	Company and Subsidiaries EUR million	JV EUR million	2019 Total EUR million	%
3 Group Europe	**9,684**	**1**	**9,685**	**95%**	9,976	1	9,977	94%
UK	***2,640***	**-**	***2,640***	***26%***	*2,722*	-	*2,722*	*25%*
Italy	***4,656***	**-**	***4,656***	***46%***	*4,854*	-	*4,854*	*46%*
Sweden	***644***	**-**	***644***	***6%***	*638*	-	*638*	*6%*
Denmark	***301***	***1***	***302***	***3%***	*292*	*1*	*293*	*3%*
Austria	***850***	**-**	***850***	***8%***	*867*	-	*867*	*8%*
Ireland	***593***	**-**	***593***	***6%***	*603*	-	*603*	*6%*
Hutchison Telecommunications Hong Kong Holdings	**510**	**-**	**510**	**5%**	637	-	637	6%
Corporate and Others	**23**	**13**	**36**	**-**	34	15	49	-
	10,217	**14**	**10,231**	**100%**	10,647	16	10,663	100%
IFRS 16 impact	**-**	**-**	**-**		-	-	-	
	10,217	**14**	**10,231**		10,647	16	10,663	

The Group uses two measures of segment results, EBITDA (see note 5(b)(ix) and EBIT (see note 5(b)(x)). Analyses of segment results by EBITDA and EBIT are set out in (ii), (iii) and (viii) below.

(ii) An analysis of EBITDA by segments

	EBITDA (LBITDA) (ix)							
	Company and Subsidiaries EUR million	**JV EUR million**	**2020 Total EUR million**	**%**	Company and Subsidiaries EUR million	JV EUR million	2019 Total EUR million	%
3 Group Europe	**3,539**	**-**	**3,539**	**67%**	3,821	-	3,821	95%
UK	***619***	**-**	***619***	***12%***	*818*	-	*818*	*20%*
Italy (xii)	***2,000***	**-**	***2,000***	***38%***	*2,100*	-	*2,100*	*52%*
Sweden	***215***	**-**	***215***	***4%***	*206*	-	*206*	*5%*
Denmark	***110***	**-**	***110***	***2%***	*113*	-	*113*	*3%*
Austria	***378***	**-**	***378***	***7%***	*373*	-	*373*	*9%*
Ireland	***217***	**-**	***217***	***4%***	*211*	-	*211*	*6%*
Hutchison Telecommunications Hong Kong Holdings	**144**	**7**	**151**	**3%**	150	8	158	4%
Corporate and Others (xiii)	**1,619**	-	**1,619**	**30%**	51	(2)	49	1%
EBITDA	**5,302 ^**	**7 ^**	**5,309 ^**	**100%**	4,022 ^	6 ^	4,028 ^	100%
Depreciation and amortisation	**(1,792)**	**(5)**	**(1,797)**		(1,615)	(5)	(1,620)	
Interest expenses and other finance costs	**(138)**	**(2)**	**(140)**		(393)	(2)	(395)	
Current tax	**(85)**	**(1)**	**(86)**		(47)	(1)	(48)	
Deferred tax	**14**	**-**	**14**		(146)	-	(146)	
Non-controlling interests	**(62)**	**-**	**(62)**		(71)	-	(71)	
	3,239	**(1)**	**3,238**		1,750	(2)	1,748	
IFRS 16 impact								
EBITDA	**920 ^**	**- ^**	**920 ^**		807 ^	- ^	807 ^	
Depreciation and amortisation	**(820)**	**-**	**(820)**		(710)	-	(710)	
Interest expenses and other finance costs	**(105)**	**-**	**(105)**		(117)	-	(117)	
Current tax	**2**	**-**	**2**		(2)	-	(2)	
Deferred tax	**-**	**-**	**-**		(1)	-	(1)	
	3,236	**(1)**	**3,235**		1,727	(2)	1,725	

^ Reconciliation to Post-IFRS 16 basis EBITDA:

Pre-IFRS 16 basis EBITDA per above	**5,302**	**7**	**5,309**	4,022	6	4,028
IFRS 16 impact per above	**920**	**-**	**920**	807	-	807
Post-IFRS 16 basis EBITDA (see note 28(a)(i))	**6,222**	**7**	**6,229**	4,829	6	4,835

5 Operating segment information (continued)

(b) Segment results, assets and liabilities (continued)

(iii) An analysis of EBIT by segments

	EBIT (LBIT) (x)							
	Company and Subsidiaries	**JV**	**2020 Total**		Company and Subsidiaries	JV	2019 Total	
	EUR million	**EUR million**	**EUR million**	**%**	EUR million	EUR million	EUR million	%
3 Group Europe								
EBITDA before the following non-cash items:	**3,539**	**-**	**3,539**		3,821	-	3,821	
Depreciation	**(1,041)**	**-**	**(1,041)**		(1,043)	-	(1,043)	
Amortisation of licence fees, other rights, customer acquisition and retention costs	**(660)**	**-**	**(660)**		(485)	-	(485)	
EBIT - **3** Group Europe	**1,838**	**-**	**1,838**	**52%**	2,293	-	2,293	95%
UK	***217***	**-**	***217***	***6%***	*436*	-	*436*	*18%*
Italy (xii)	***1,138***	**-**	***1,138***	***32%***	*1,357*	-	*1,357*	*56%*
Sweden	***108***	**-**	***108***	***3%***	*115*	-	*115*	*5%*
Denmark	***56***	**-**	***56***	***2%***	*63*	-	*63*	*2%*
Austria	***226***	**-**	***226***	***6%***	*233*	-	*233*	*10%*
Ireland	***93***	**-**	***93***	***3%***	*89*	-	*89*	*4%*
Hutchison Telecommunications Hong Kong Holdings	**54**	**2**	**56**	**2%**	63	3	66	3%
Corporate and Others (xiii)	**1,618**	**-**	**1,618**	**46%**	51	(2)	49	2%
EBIT	**3,510** ^	**2** ^	**3,512** ^	**100%**	2,407 ^	1 ^	2,408 ^	100%
Interest expenses and other finance costs	**(138)**	**(2)**	**(140)**		(393)	(2)	(395)	
Current tax	**(85)**	**(1)**	**(86)**		(47)	(1)	(48)	
Deferred tax	**14**	**-**	**14**		(146)	-	(146)	
Non-controlling interests	**(62)**	**-**	**(62)**		(71)	-	(71)	
	3,239	**(1)**	**3,238**		1,750	(2)	1,748	
IFRS 16 impact								
EBIT	**100** ^	**-** ^	**100** ^		97 ^	- ^	97 ^	
Interest expenses and other finance costs	**(105)**	**-**	**(105)**		(117)	-	(117)	
Current tax	**2**	**-**	**2**		(2)	-	(2)	
Deferred tax	**-**	**-**	**-**		(1)	-	(1)	
	3,236	**(1)**	**3,235**		1,727	(2)	1,725	

^ Reconciliation to Post-IFRS 16 basis EBIT:

Pre-IFRS 16 basis EBIT per above	**3,510**	**2**	**3,512**	2,407	1	2,408
IFRS 16 impact per above	**100**	**-**	**100**	97	-	97
Post-IFRS 16 basis EBIT	**3,610**	**2**	**3,612**	2,504	1	2,505

5 Operating segment information (continued)

(b) Segment results, assets and liabilities (continued)

(iv) An analysis of depreciation and amortisation expenses by segments

	Depreciation and amortisation					
	Company and Subsidiaries	**JV**	**2020 Total**	Company and Subsidiaries	JV	2019 Total
	EUR million	**EUR million**	**EUR million**	EUR million	EUR million	EUR million
3 Group Europe	**1,701**	**-**	**1,701**	1,528	-	1,528
UK	***402***	**-**	***402***	*382*	-	*382*
Italy	***862***	**-**	***862***	*743*	-	*743*
Sweden	***107***	**-**	***107***	*91*	-	*91*
Denmark	***54***	**-**	***54***	*50*	-	*50*
Austria	***152***	**-**	***152***	*140*	-	*140*
Ireland	***124***	**-**	***124***	*122*	-	*122*
Hutchison Telecommunications Hong Kong Holdings	**90**	**5**	**95**	87	5	92
Corporate and Others	**1**	**-**	**1**	-	-	-
	1,792	**5**	**1,797**	1,615	5	1,620
IFRS 16 impact	**820**	**-**	**820**	710	-	710
	2,612	**5**	**2,617**	2,325	5	2,330

(v) An analysis of capital expenditure by segments

	Capital expenditure (xvi)							
	Fixed assets	**Telecom-munications licences**	**Brand names and other rights**	**2020 Total**	Fixed assets	Telecom-munications licences	Brand names and other rights	2019 Total
	EUR million	**EUR million**	**EUR million**	**EUR million**	EUR million	EUR million	EUR million	EUR million
3 Group Europe	**2,036**	**50**	**196**	**2,282**	1,775	118	316	2,209
UK	***844***	**-**	**-**	***844***	*499*	-	-	*499*
Italy	***794***	**-**	***196***	***990***	*875*	-	*315*	*1,190*
Sweden	***110***	**-**	**-**	***110***	*111*	-	-	*111*
Denmark	***28***	**-**	**-**	***28***	*29*	*65*	-	*94*
Austria	***128***	***49***	**-**	***177***	*128*	*52*	*1*	*181*
Ireland	***132***	***1***	**-**	***133***	*133*	*1*	-	*134*
Hutchison Telecommunications Hong Kong Holdings	**63**	**24**	**-**	**87**	58	23	-	81
Corporate and Others	**-**	**-**	**1**	**1**	1	-	-	1
	2,099	**74**	**197**	**2,370**	1,834	141	316	2,291
IFRS 16 impact	**-**	**-**	**-**	**-**	(3)	-	-	(3)
	2,099	**74**	**197**	**2,370**	1,831	141	316	2,288

5 Operating segment information (continued)

(b) Segment results, assets and liabilities (continued)

(vi) An analysis of total assets by segments

	2020 EUR million	2019 EUR million
Segment assets (xiv)		
3 Group Europe	**35,236**	35,121
UK	***6,460***	*6,332*
Italy	***22,379***	*22,133*
Sweden	***1,942***	*1,945*
Denmark	***458***	*486*
Austria	***2,304***	*2,416*
Ireland	***1,693***	*1,809*
Hutchison Telecommunications Hong Kong Holdings	**1,654**	1,770
Corporate and Others	**3,225**	1,789
	40,115	38,680
IFRS 16 impact on segment assets	**2,367**	2,884
Interests in joint ventures	**33**	43
Deferred tax assets	**1,784**	2,042
Assets classified as held for sale (xv)	**132**	17
Total assets	**44,431**	43,666

(vii) An analysis of total liabilities by segments

	2020 EUR million	2019 EUR million
Segment liabilities (xiv)		
3 Group Europe	**4,158**	4,432
UK	***1,088***	*903*
Italy	***2,350***	*2,717*
Sweden	***105***	*122*
Denmark	***143***	*142*
Austria	***267***	*286*
Ireland	***205***	*262*
Hutchison Telecommunications Hong Kong Holdings	**175**	179
Corporate and Others	**468**	76
	4,801	4,687
IFRS 16 impact on segment liabilities	**2,521**	3,043
Non-current borrowings and other non-current liabilities	**10,863**	12,130
Current and deferred tax liabilities	**95**	33
Liabilities directly associated with assets classified as held for sale (xv)	**30**	-
Total liabilities	**18,310**	19,893

5 Operating segment information (continued)

(b) Segment results, assets and liabilities (continued)

(viii) An analysis of results (EBITDA and EBIT) before net gains from major transaction activities by segments

The Group's EBITDA and EBIT in 2020 included the net gain attributable to shareholders from the disposal of interests in the Group's European telecommunications tower assets that completed in 2020 of EUR1.7 billion (see note 5(b)(xiii)).

Set out below are analyses of EBITDA and EBIT before the aforementioned item.

An analysis of EBITDA by segments

	EBITDA (LBITDA) (ix)							
	Company and Subsidiaries EUR million	**JV EUR million**	**2020 Total EUR million**	**%**	Company and Subsidiaries EUR million	JV EUR million	2019 Total EUR million	%
EBITDA before the following one-off item								
3 Group Europe	**3,539**	**-**	**3,539**	**98%**	3,821	-	3,821	95%
UK	***619***	**-**	***619***	***17%***	*818*	-	*818*	*20%*
Italy (xii)	***2,000***	**-**	***2,000***	***55%***	*2,100*	-	*2,100*	*52%*
Sweden	***215***	**-**	***215***	***6%***	*206*	-	*206*	*5%*
Denmark	***110***	**-**	***110***	***3%***	*113*	-	*113*	*3%*
Austria	***378***	**-**	***378***	***11%***	*373*	-	*373*	*9%*
Ireland	***217***	**-**	***217***	***6%***	*211*	-	*211*	*6%*
Hutchison Telecommunications Hong Kong Holdings	**144**	**7**	**151**	**4%**	150	8	158	4%
Corporate and Others	**(83)**	**-**	**(83)**	**-2%**	51	(2)	49	1%
	3,600	**7**	**3,607**	**100%**	4,022	6	4,028	100%
One-off item								
Gains from disposal of European telecommunications tower assets (xiii)	**1,702**	**-**	**1,702**		-	-	-	
	5,302	**7**	**5,309** #		4,022	6	4,028 #	

see note 5(b)(ii) for reconciliation of segment EBITDA to profit or loss presented in the consolidated income statement.

An analysis of EBIT by segments

	EBIT (LBIT) (x)							
	Company and Subsidiaries EUR million	**JV EUR million**	**2020 Total EUR million**	**%**	Company and Subsidiaries EUR million	JV EUR million	20019 Total EUR million	%
EBIT before the following one-off item								
3 Group Europe	**1,838**	**-**	**1,838**	**102%**	2,293	-	2,293	95%
UK	***217***	**-**	***217***	***12%***	*436*	-	*436*	*18%*
Italy (xii)	***1,138***	**-**	***1,138***	***63%***	*1,357*	-	*1,357*	*56%*
Sweden	***108***	**-**	***108***	***6%***	*115*	-	*115*	*5%*
Denmark	***56***	**-**	***56***	***3%***	*63*	-	*63*	*2%*
Austria	***226***	**-**	***226***	***13%***	*233*	-	*233*	*10%*
Ireland	***93***	**-**	***93***	***5%***	*89*	-	*89*	*4%*
Hutchison Telecommunications Hong Kong Holdings	**54**	**2**	**56**	**3%**	63	3	66	3%
Corporate and Others	**(84)**	**-**	**(84)**	**-5%**	51	(2)	49	2%
	1,808	**2**	**1,810**	**100%**	2,407	1	2,408	100%
One-off item								
Gains from disposal of European telecommunications tower assets (xiii)	**1,702**	**-**	**1,702**		-	-	-	
	3,510	**2**	**3,512** @		2,407	1	2,408 @	

@ see note 5(b)(iii) for reconciliation of segment EBIT to profit or loss presented in the consolidated income statement.

5 Operating segment information (continued)

(b) Segment results, assets and liabilities (continued)

(ix) EBITDA (LBITDA) represents the EBITDA (LBITDA) of the Company and subsidiary companies as well as the Group's share of the EBITDA (LBITDA) of joint ventures. EBITDA (LBITDA) is defined as earnings (losses) before interest expenses and other finance costs, tax, depreciation and amortisation. Information concerning EBITDA (LBITDA) has been included in the Group's financial information and consolidated financial statements and is used by many industries and investors as one measure of gross cash flow generation. The Group considers EBITDA (LBITDA) to be an important performance measure which is used in the Group's internal financial and management reporting to monitor business performance. EBITDA (LBITDA) is therefore presented as a measure of segment results in accordance with IFRS 8. EBITDA (LBITDA) is not a measure of cash liquidity or financial performance under IFRS and the EBITDA (LBITDA) measures used by the Group may not be comparable to other similarly titled measures of other companies. EBITDA (LBITDA) should not necessarily be construed as an alternative to cash flows or results from operations as determined in accordance with IFRS.

(x) EBIT (LBIT) represents the EBIT (LBIT) of the Company and subsidiary companies as well as the Group's share of the EBIT (LBIT) of joint ventures. EBIT (LBIT) is defined as earnings (losses) before interest expenses and other finance costs and tax. Information concerning EBIT (LBIT) has been included in the Group's financial information and consolidated financial statements and is used by many industries and investors as one measure of results from operations. The Group considers EBIT (LBIT) to be an important performance measure which is used in the Group's internal financial and management reporting to monitor business performance. EBIT (LBIT) is therefore presented as a measure of segment results in accordance with IFRS 8. EBIT (LBIT) is not a measure of financial performance under IFRS and the EBIT (LBIT) measures used by the Group may not be comparable to other similarly titled measures of other companies. EBIT (LBIT) should not necessarily be construed as an alternative to results from operations as determined in accordance with IFRS.

(xi) The Company is a limited company incorporated in the Cayman Islands. The Group does not have any revenue and non-current assets (other than financial instruments, deferred tax assets and post-employment benefit assets) attributable to the Cayman Islands. The geographical location of customers is based on the location at which the services were provided or goods delivered.

(xii) For the comparative year, included in the EBITDA and EBIT of Italy was a one-time income of approximately EUR110 million recognised by Wind Tre in the first half of 2019.

(xiii) In December 2020, the Group completed the disposal of interests in telecommunications tower assets in Denmark, Austria and Ireland, and recognised a disposal gain of approximately EUR1,702 million (EUR1,721 million at Post-IFRS 16 basis). The amount of gain is EUR1,702 million at the EBITDA and EBIT levels, and is reported under "Corporate and Others" in the segment results. See note 6(c).

(xiv) Segment assets and segment liabilities are measured in the same way as in the financial statements.

Segment assets are assets other than deferred tax assets, assets classified as held for sale and interests in joint ventures.

Segment liabilities are liabilities other than bank and other debts, tax liabilities (including deferred tax liabilities), liabilities directly associated with assets classified as held for sale and other non-current liabilities.

The specified non-current assets are non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets. The geographical location of the specified non-current assets is based on the physical location of the asset (for fixed assets, right-of-use assets and other operating assets), the location of the operation in which they are allocated (for assets classified as held for sale, intangible assets and goodwill), and the location of operations (for interests in joint ventures).

Geographical analysis of the Group's non-current assets (based on Post-IFRS 16 basis) other than financial instruments, deferred tax assets and post-employment benefit assets is as follows:

	2020	2019
	EUR million	EUR million
Hong Kong and Macau, the People's Republic of China	**1,031**	1,107
UK	**6,256**	6,131
Italy	**22,016**	21,965
Sweden	**1,877**	1,917
Denmark	**374**	420
Austria	**2,149**	2,327
Ireland	**1,721**	1,915
Others	**3**	5
	35,427	35,787

(xv) See note 19.

(xvi) For the purpose of segmental information analysis, expenditures incurred for leases are not regarded as capital expenditures.

5 Operating segment information (continued)

(c) Reconciliation from Pre-IFRS 16 basis metrics to Post-IFRS 16 basis metrics

(i) Consolidated Income Statement

	2020			2019		
	Pre-IFRS 16 basis EUR million	**Effect on adoption of IFRS 16 EUR million**	**Post-IFRS 16 basis EUR million**	Pre-IFRS 16 basis EUR million	Effect on adoption of IFRS 16 EUR million	Post-IFRS 16 basis EUR million
Revenue	**10,217**	**-**	**10,217**	10,647	-	10,647
Cost of inventories sold	**(169)**	**-**	**(169)**	(249)	-	(249)
Expensed customer acquisition and retention costs	**(1,875)**	**53**	**(1,822)**	(2,059)	56	(2,003)
Staff costs	**(695)**	**-**	**(695)**	(698)	-	(698)
Depreciation and amortisation	**(1,792)**	**(820)**	**(2,612)**	(1,615)	(710)	(2,325)
Other expenses and losses	**(3,907)**	**848**	**(3,059)**	(3,619)	751	(2,868)
Other income and gains	**1,731**	**19**	**1,750**	-	-	-
Share of profits less losses of joint ventures	**(1)**	**-**	**(1)**	(2)	-	(2)
	3,509	**100**	**3,609**	2,405	97	2,502
Interest expenses and other finance costs	**(138)**	**(105)**	**(243)**	(393)	(117)	(510)
Profit before tax	**3,371**	**(5)**	**3,366**	2,012	(20)	1,992
Current tax	**(85)**	**2**	**(83)**	(47)	(2)	(49)
Deferred tax credit (charge)	**14**	**-**	**14**	(146)	(1)	(147)
Profit after tax	**3,300**	**(3)**	**3,297**	1,819	(23)	1,796
Profit attributable to non-controlling interests	**(62)**	**-**	**(62)**	(71)	-	(71)
Profit attributable to owners of the Company	**3,238**	**(3)**	**3,235**	1,748	(23)	1,725

5 **Operating segment information (continued)**

(c) Reconciliation from Pre-IFRS 16 basis metrics to Post-IFRS 16 basis metrics (continued)

(ii) Consolidated Statement of Comprehensive Income

	2020			2019		
	Pre-IFRS 16 basis EUR million	**Effect on adoption of IFRS 16 EUR million**	**Post-IFRS 16 basis EUR million**	Pre-IFRS 16 basis EUR million	Effect on adoption of IFRS 16 EUR million	Post-IFRS 16 basis EUR million
Profit after tax	**3,300**	**(3)**	**3,297**	1,819	(23)	1,796
Other comprehensive income (losses)						
Items that will not be reclassified to profit or loss:						
Remeasurement of defined benefit obligations recognised directly in reserves	**1**	**-**	**1**	(2)	-	(2)
Tax relating to items that will not be reclassified to profit or loss	**-**	**-**	**-**	-	-	-
	1	**-**	**1**	(2)	-	(2)
Items that have been reclassified or may be subsequently reclassified to profit or loss:						
Gains (losses) on cash flow hedges recognised directly in reserves	**12**	**-**	**12**	(16)	-	(16)
Gains (losses) on translating overseas subsidiaries' net assets recognised directly in reserves	**(430)**	**3**	**(427)**	252	(2)	250
Losses previously in exchange reserve related to subsidiaries disposed during the year recognised in income statement	**8**	**-**	**8**	-	-	-
Tax relating to items that have been reclassified or may be subsequently reclassified to profit or loss	**-**	**-**	**-**	2	-	2
	(410)	**3**	**(407)**	238	(2)	236
Other comprehensive income (losses), net of tax	**(409)**	**3**	**(406)**	236	(2)	234
Total comprehensive income	**2,891**	**-**	**2,891**	2,055	(25)	2,030
Total comprehensive income attributable to non-controlling interests	**(43)**	**-**	**(43)**	(79)	-	(79)
Total comprehensive income attributable to owners of the Company	**2,848**	**-**	**2,848**	1,976	(25)	1,951

5 **Operating segment information (continued)**

(c) Reconciliation from Pre-IFRS 16 basis metrics to Post-IFRS 16 basis metrics (continued)

(iii) Consolidated Statement of Financial Position

	2020			2019		
	Pre-IFRS 16 basis EUR million	**Effect on adoption of IFRS 16 EUR million**	**Post-IFRS 16 basis EUR million**	Pre-IFRS 16 basis EUR million	Effect on adoption of IFRS 16 EUR million	Post-IFRS 16 basis EUR million
Non-current assets						
Fixed assets	**7,414**	**(14)**	**7,400**	6,882	(15)	6,867
Right-of-use assets	**-**	**2,438**	**2,438**	-	2,947	2,947
Telecommunications licences	**6,760**	**-**	**6,760**	6,941	-	6,941
Brand names and other rights	**3,941**	**(33)**	**3,908**	4,026	-	4,026
Goodwill	**14,080**	**-**	**14,080**	14,189	-	14,189
Interests in joint ventures	**33**	**-**	**33**	43	-	43
Deferred tax assets	**1,767**	**17**	**1,784**	2,020	22	2,042
Other non-current assets	**788**	**25**	**813**	750	28	778
	34,783	**2,433**	**37,216**	34,851	2,982	37,833
Current assets						
Cash and cash equivalents	**3,752**	**-**	**3,752**	2,376	-	2,376
Inventories	**182**	**-**	**182**	233	-	233
Trade receivables and other current assets	**3,198**	**(49)**	**3,149**	3,283	(76)	3,207
	7,132	**(49)**	**7,083**	5,892	(76)	5,816
Assets classified as held for sale	**103**	**29**	**132**	17	-	17
	7,235	**(20)**	**7,215**	5,909	(76)	5,833
Current liabilities						
Bank and other debts	**1**	**(1)**	**-**	1	(1)	-
Current tax liabilities	**68**	**(1)**	**67**	9	-	9
Lease liabilities	**-**	**662**	**662**	-	758	758
Trade payables and other current liabilities	**4,726**	**(160)**	**4,566**	4,610	(162)	4,448
	4,795	**500**	**5,295**	4,620	595	5,215
Liabilities directly associated with assets classified as held for sale	**-**	**30**	**30**	-	-	-
	4,795	**530**	**5,325**	4,620	595	5,215
Net current assets	**2,440**	**(550)**	**1,890**	1,289	(671)	618
Total assets less current liabilities	**37,223**	**1,883**	**39,106**	36,140	2,311	38,451
Non-current liabilities						
Bank and other debts	**8,944**	**(2)**	**8,942**	9,914	(3)	9,911
Lease liabilities	**-**	**2,019**	**2,019**	-	2,447	2,447
Deferred tax liabilities	**28**	**-**	**28**	24	-	24
Pension obligations	**75**	**-**	**75**	77	-	77
Other non-current liabilities	**1,922**	**(1)**	**1,921**	2,219	-	2,219
	10,969	**2,016**	**12,985**	12,234	2,444	14,678
Net assets	**26,254**	**(133)**	**26,121**	23,906	(133)	23,773
Capital and reserves						
Share capital	**-**	**-**	**-**	-	-	-
Share premium	**20,917**	**-**	**20,917**	20,917	-	20,917
Reserves	**4,155**	**(131)**	**4,024**	1,722	(131)	1,591
Equity attributable to owners of the Company	**25,072**	**(131)**	**24,941**	22,639	(131)	22,508
Non-controlling interests	**1,182**	**(2)**	**1,180**	1,267	(2)	1,265
Total equity	**26,254**	**(133)**	**26,121**	23,906	(133)	23,773

5 **Operating segment information (continued)**

(c) Reconciliation from Pre-IFRS 16 basis metrics to Post-IFRS 16 basis metrics (continued)

(iv) Consolidated Statement of Cash Flows

	2020			2019		
	Pre-IFRS 16 basis EUR million	**Effect on adoption of IFRS 16 EUR million**	**Post-IFRS 16 basis EUR million**	Pre-IFRS 16 basis EUR million	Effect on adoption of IFRS 16 EUR million	Post-IFRS 16 basis EUR million
	(A)		(B)	(A)		(B)
Operating activities						
Cash generated from operating activities before interest expenses and other finance costs, tax paid and changes in working capital	**3,223**	**897**	**4,120**	3,652	803	4,455
Interest expenses and other finance costs paid (net of capitalisation)	**(108)**	**(105)**	**(213)**	(355)	(117)	(472)
Tax paid	**(54)**	**-**	**(54)**	(112)	-	(112)
Funds from operations (Funds from operations under (B) is before payment of lease liabilities)	**3,061**	**792**	**3,853**	3,185	686	3,871
Changes in working capital	**(447)**	**5**	**(442)**	(417)	(63)	(480)
Net cash from operating activities	**2,614**	**797**	**3,411**	2,768	623	3,391
Investing activities						
Purchase of fixed assets	**(2,099)**	**-**	**(2,099)**	(1,834)	3	(1,831)
Additions to telecommunications licences	**(74)**	**-**	**(74)**	(141)	-	(141)
Additions to brand names and other rights	**(197)**	**-**	**(197)**	(316)	-	(316)
Deposits from joint ventures	**3**	**-**	**3**	-	-	-
Purchase of and advances to joint ventures	**(8)**	**-**	**(8)**	(12)	-	(12)
Proceeds from disposal of fixed assets	**55**	**-**	**55**	7	-	7
Proceeds on disposal of subsidiary companies	**2,186**	**-**	**2,186**	-	-	-
Cash flows used in investing activities	**(134)**	**-**	**(134)**	(2,296)	3	(2,293)
Net cash inflow before financing activities	**2,480**	**797**	**3,277**	472	626	1,098
Financing activities						
New borrowings	**100**	**-**	**100**	20,316	-	20,316
Repayment of borrowings	**(1,051)**	**1**	**(1,050)**	(20,948)	(3)	(20,951)
Payment of lease liabilities	**-**	**(798)**	**(798)**	-	(623)	(623)
Net loans from CKHH group entities	**-**	**-**	**-**	594	-	594
Payments to acquire additional interests in subsidiary companies	**(110)**	**-**	**(110)**	(53)	-	(53)
Proceeds from issue of shares	**-**	**-**	**-**	49	-	49
Dividends paid to CKHH group entities prior to the Reorganisation	**-**	**-**	**-**	(408)	-	(408)
Dividends paid to non-controlling interests	**(43)**	**-**	**(43)**	(209)	-	(209)
Cash flows used in financing activities	**(1,104)**	**(797)**	**(1,901)**	(659)	(626)	(1,285)
Increase (decrease) in cash and cash equivalents	**1,376**	**-**	**1,376**	(187)	-	(187)
Cash and cash equivalents at 1 January	**2,376**	**-**	**2,376**	2,563	-	2,563
Cash and cash equivalents at 31 December	**3,752**	**-**	**3,752**	2,376	-	2,376
Cash and cash equivalents	**3,752**	**-**	**3,752**	2,376	-	2,376
Total principal amount of bank and other debts	**8,991**	**(3)**	**8,988**	9,976	(4)	9,972
Net debt	**5,239**	**(3)**	**5,236**	7,600	(4)	7,596

6 Presentation of other expenses and losses, other income and gains, and cost of goods sold

In the current year, the Group presents an additional line item "Other income and gains" in the consolidated income statement to provide information in respect of the profit and loss effects arising from, amongst others, major corporate transactions that completed in 2020. See below for further details on "Other expenses and losses", "Other income and gains" and "Cost of goods sold" for the current and comparative years.

	2020	2019
	EUR million	EUR million
Other expenses and losses:		
Cost of providing services [(a)]	**1,939**	2,033
Office and general administrative expenses and others	**725**	369
Advertising and promotion expenses	**214**	237
Expenses for short term, low-value assets leases and payment for variable rent	**125**	192
Legal and professional fees	**45**	27
Auditors' remuneration	**11**	10
	3,059	2,868

	2020	2019
	EUR million	EUR million
Other income and gains:		
Employment and other subsidies [(b)]	**(29)**	-
Gains on disposal of European telecommunications tower assets [(c)]	**(1,721)**	-
	(1,750)	-

	2020	2019
	EUR million	EUR million
Cost of goods sold:		
included in "Cost of inventories sold"	**169**	249
included in "Expensed customer acquisition and retention costs"	**1,181**	1,338
	1,350	1,587

(a) Cost of providing services of EUR1,939 million (2019: EUR2,033 million) include telecommunication network related costs of EUR1,452 million (2019: EUR1,577 million) and repair and maintenance of EUR487 million (2019: EUR456 million).

(b) Benefits received from governments and other authorities under COVID-19 related employment and other support schemes.

(c) On 12 November 2020, the Group entered into agreements with Cellnex Telecom, S.A. ("Cellnex"), a company incorporated and listed in Spain, to sell the Group's interests in telecommunications tower assets supporting the Group's mobile telecommunications businesses in Austria, Denmark, Ireland, Italy, Sweden and the United Kingdom. The aggregate consideration to be received by the Group is EUR10 billion (subject to closing adjustments). Each of the six transactions is subject to its own terms and conditions, and closing of each transaction can occur on a standalone basis as each transaction is independent and not inter-conditional upon the others. The Austrian transaction, Denmark transaction and Ireland transaction were completed in December 2020. The amount of the gains from these three disposal transactions is EUR1,721 million and is reported under "Other income and gains" in the current year's consolidated income statement. The Sweden transaction was completed after the reporting date in January 2021 and resulted in a gain attributable to shareholders of approximately EUR0.7 billion to be reported in the Group's 2021 results. Subject to regulatory approval, it is anticipated that closings in respect of the Italy transaction and the United Kingdom transaction will take place within 2021. See note 5(b)(xiii).

7 Interest expenses and other finance costs

	2020 EUR million	2019 EUR million
Bank loans and overdrafts	**40**	45
Notes and bonds	**56**	142
Interest bearing loans from CKHH group entities	**-**	152
Other finance costs [(a)]	**13**	17
	109	356
Amortisation of loan facilities fees and premiums or discounts relating to borrowings	**15**	15
Notional interest accretions	**15**	23
	139	394
Less: interest capitalised	**(1)**	(1)
Interest on lease liabilities	**105**	117
	243	510

(a) Net of reimbursement of EUR188 million received from the CKHH group entities during the year ended 31 December 2019.

8 Tax

	2020 EUR million	2019 EUR million
Current tax charge		
Europe	**83**	48
Outside Europe	**-**	1
	83	49
Deferred tax charge (credit)		
Europe	**(24)**	137
Outside Europe	**10**	10
	(14)	147
	69	196

The corporate income tax has been provided for at the rate applicable in the jurisdiction concerned on the estimated assessable profits less estimated available tax losses.

The differences between the Group's expected tax charge (credit), calculated at the domestic rates applicable to the jurisdiction concerned, and the Group's tax charge (credit) for the years were as follows:

	2020 EUR million	2019 EUR million
Tax calculated at the domestic rates applicable in the jurisdiction concerned	**316**	357
Tax effect of:		
Tax losses not recognised	**200**	86
Income not subject to tax	**(12)**	(25)
Expenses not deductible for tax purposes	**31**	37
Under (over) provision in prior years	**2**	(5)
Other temporary differences	**(360)**	(269)
Effect of change in tax rate	**(108)**	15
Total tax for the year	**69**	196

9 Fixed assets

	Land and buildings EUR million	Telecom-munications network assets EUR million	Other assets [a] EUR million	Total EUR million
Cost				
At 1 January 2019	80	5,237	2,216	7,533
Additions	3	205	1,623	1,831
Disposals	(2)	(49)	(23)	(74)
Transfer between categories	-	1,207	(1,172)	35
Exchange translation differences	4	162	56	222
Transfer to assets classified as held for sale (see note 19)	-	(6)	-	(6)
At 31 December 2019 and 1 January 2020	**85**	**6,756**	**2,700**	**9,541**
Additions	**16**	**192**	**1,891**	**2,099**
Disposals	**(1)**	**(157)**	**(4)**	**(162)**
Relating to subsidiaries disposed (see note 28(c))	**-**	**(255)**	**(15)**	**(270)**
Transfer between categories	**17**	**1,131**	**(1,148)**	**-**
Exchange translation differences	**(5)**	**(121)**	**(83)**	**(209)**
Transfer to assets classified as held for sale (see note 19)	**-**	**(147)**	**-**	**(147)**
At 31 December 2020	**112**	**7,399**	**3,341**	**10,852**
Accumulated depreciation and impairment				
At 1 January 2019	54	1,159	338	1,551
Charge for the year	7	842	233	1,082
Disposals	(2)	(46)	(19)	(67)
Transfer between categories	-	35	-	35
Exchange translation differences	3	55	15	73
At 31 December 2019 and 1 January 2020	**62**	**2,045**	**567**	**2,674**
Charge for the year	**11**	**836**	**232**	**1,079**
Disposals	**(1)**	**(102)**	**(3)**	**(106)**
Relating to subsidiaries disposed (see note 28(c))	**-**	**(73)**	**-**	**(73)**
Exchange translation differences	**(3)**	**(56)**	**(13)**	**(72)**
Transfer to assets classified as held for sale (see note 19)	**-**	**(50)**	**-**	**(50)**
At 31 December 2020	**69**	**2,600**	**783**	**3,452**
Net book value				
At 31 December 2020	**43**	**4,799**	**2,558**	**7,400**
At 31 December 2019	23	4,711	2,133	6,867
At 1 January 2019	26	4,078	1,878	5,982

(a) Cost and net book value of other assets include assets under construction of EUR1,621 million (2019: EUR1,543 million).

(b) The analysis of the Group's aggregate future minimum lease receivable under non-cancellable operating leases of fixed assets is as follows:

	2020 EUR million	2019 EUR million
Within 1 year	**11**	11
Between 1 and 2 years	**2**	3
	13	14

10 Leases

(a) Group as a lessee - amounts recognised in the consolidated statement of financial position

	2020 EUR million	2019 EUR million
Right-of-use assets		
Retail stores	**168**	189
Telecommunications network infrastructure sites	**2,109**	2,572
Other assets	**161**	186
	2,438	2,947
Lease liabilities		
Current	**662**	758
Non-current	**2,019**	2,447
	2,681	3,205

On leases that commenced during the year, the Group has recognised EUR620 million (2019: EUR789 million) of right-of-use assets, and EUR617 million (2019: EUR788 million) of lease liabilities.

(b) Group as a lessee - amounts recognised in the consolidated income statement

	2020 EUR million	2019 EUR million
Depreciation charge of right-of-use assets (included in "Depreciation and amortisation")		
Retail stores	**54**	49
Telecommunications network infrastructure sites	**716**	618
Other assets	**54**	44
	824	711
Interest on lease liabilities (included in "Interest expenses and other finance costs")	**105**	117
Expenses relating to short-term leases (included in "Other expenses and losses")	**3**	39
Expense relating to leases of low-value assets that are not short term leases (included in "Other expenses and losses")	**122**	153
	230	309
Total charges recognised in profit or loss for leases	**1,054**	1,020

(c) Group as a lessee - amounts recognised in the consolidated statement of cash flows

	2020 EUR million	2019 EUR million
Within operating cash flows	**219**	296
Within financing cash flows (see note 28(d))	**798**	623
Total cash outflows for leases	**1,017**	919

10 Leases (continued)

(d) Group as lessee - other lease disclosure

Variable lease payments

Some leases contain variable payment terms that are linked to sales generated from a store. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs. Variable lease payments not included in the measurement of lease liabilities is not significant.

Extension and termination options

Extension and termination options are included in a number of leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

As at 31 December 2020, in accordance with applicable provision in IFRS 16, potential future cash outflows of EUR1,643 million (2019: EUR817 million) (undiscounted) have not been included in calculating the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

Residual value guarantees

As at 31 December 2020, residual value guarantee of EUR1 million (2019: EUR1 million) is expected to be payable and had been included in calculating the lease liabilities.

Leases not yet commenced to which the lessee is committed

At 31 December 2020, the Group is committed to leases that are not yet commenced, and the lease payments payable under which is not significant (2019: EUR2 million). This amount has not been included in calculating the lease liabilities as at 31 December 2020 and 31 December 2019.

Restriction or covenants imposed by leases

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

(e) Group as lessor

	2020 EUR million	2019 EUR million
Income from subleasing right-of-use assets (included in “Other expenses and losses”)	**7**	7

The analysis of the Group’s aggregate future minimum lease receivable under non-cancellable operating leases from subleasing right-of-use assets is as follows:

	2020 EUR million	2019 EUR million
Within 1 year	**7**	7
Between 1 and 2 years	**7**	6
Between 2 and 3 years	**6**	5
Between 3 and 4 years	**5**	4
Between 4 and 5 years	**5**	4
After 5 years	**22**	22
	52	48

In addition, the Group has recognised income of EUR17 million (2019: EUR12 million) from leasing of fixed assets for the year ended 31 December 2020.

11 Telecommunications licences

	2020 EUR million	2019 EUR million
Net book value		
At 1 January	**6,941**	6,789
Additions	**74**	141
Amortisation for the year	**(120)**	(101)
Disposal	**-**	(3)
Exchange translation differences	**(135)**	115
At 31 December	**6,760**	6,941
Cost	**7,283**	7,355
Accumulated amortisation and impairment	**(523)**	(414)
	6,760	6,941

The Group's telecommunications licences in the UK and Italy (except for a licence with carrying value at 31 December 2020 of EUR14 million (2019: EUR28 million)) are considered to have an indefinite useful life. The carrying value of telecommunications licences has been mainly allocated to Italy segment of EUR3,933 million (2019: EUR3,947 million) and the UK segment of EUR1,901 million (2019: EUR2,016 million).

12 Brand names and other rights

	Brand names EUR million	**Other rights** EUR million	**Total** EUR million
Net book value			
At 1 January 2019	2,094	1,817	3,911
Additions	-	316	316
Amortisation for the year	-	(251)	(251)
Exchange translation differences	29	21	50
At 31 December 2019 and 1 January 2020	**2,123**	**1,903**	**4,026**
Additions	**-**	**197**	**197**
Amortisation for the year	**-**	**(282)**	**(282)**
Disposals	**-**	**(1)**	**(1)**
Exchange translation differences	**(27)**	**(5)**	**(32)**
At 31 December 2020	**2,096**	**1,812**	**3,908**
Cost	**2,096**	**2,716**	**4,812**
Accumulated amortisation	**-**	**(904)**	**(904)**
	2,096	**1,812**	**3,908**

Brand names are considered to have an indefinite useful life. The carrying value of brand names at 31 December 2020 has been mainly allocated to Italy segment of approximately EUR844 million (2019: EUR844 million), the UK segment of approximately EUR547 million (2019: EUR580 million) and Austria segment of approximately EUR286 million (2019: EUR286 million).

Other rights primarily include operating and service content rights of EUR869 million (2019: EUR838 million) and customer lists of EUR943 million (2019: EUR1,020 million). Other rights are amortised over their finite useful lives.

13 Goodwill

	2020	2019
	EUR million	EUR million
Cost		
At 1 January	**14,189**	14,162
Relating to subsidiaries disposed (see note 28(c))	**(74)**	-
Exchange translation differences	**(35)**	27
At 31 December	**14,080**	14,189

Goodwill arises from the acquisitions of the telecommunications businesses in Austria of approximately EUR767 million (2019: EUR767 million), Hong Kong of approximately EUR416 million (2019: EUR456 million), Ireland of approximately EUR581 million (2019: EUR655 million), Italy of approximately EUR10,712 million (2019: EUR10,712 million), Denmark and Sweden of approximately EUR1,099 million (2019: EUR1,063 million) and the UK of approximately EUR505 million (2019: EUR536 million).

The impairment test is carried out at the end of the reporting period and the recoverable amount is determined based on value in use calculation. Value in use is measured using discount cash flow projections for the next five years and a calculated terminal value at the end of the five-year period. The cash flows are based on the latest approved financial budgets of the relevant businesses for the next five years. The Group prepared the financial budgets reflecting current and prior year performances and experience, market development expectations, including the expected market share and growth momentum, and where available and appropriate, observable market data. There are a number of assumptions and estimates involved for the preparation of the budget, the cash flow projections for the period covered by the approved budget, and the estimated terminal value at the end of the budget period. Key assumptions, include the revenues, service margin and operating costs, and growth rates used for the budget periods, and selection of discount rates and the terminal growth rate used to extrapolate cash flow projections to estimate the terminal value at the end of the five-year period. The value in use amount derived from the cash flow projections is sensitive to the discount rate used for the cash flow projections as well as the growth rate used for extrapolation purposes. A discount rate (pre-tax) ranging from 0.3% to 9.4% (2019: 1.1% to 9.7%) has been applied. A growth rate, for the purpose of impairment testing calculation, ranging from 0% to 2% p.a. (2019: 1% to 2% p.a.), which is not expected to exceed the anticipated economic growth for the underlying business units, is used to extrapolate cash flow projections to estimate the terminal value of the underlying business units at the end of the five-year period.

The results of the impairment tests undertaken as at 31 December 2020 and 2019 indicated no impairment charge was necessary for the Group. A reasonably possible change in a key assumption would not cause the recoverable amount to fall below the carrying value of the respective business units and divisions.

Please refer to note 37(b)(i) for significant accounting judgement applied, estimates and assumptions made in assessing whether goodwill has suffered any impairment.

14 Interests in joint ventures

	2020	2019
	EUR million	EUR million
Unlisted shares	**-**	-
Share of undistributed post acquisition reserves	**(7)**	(7)
	(7)	(7)
Amounts due from (net with amounts due to) joint ventures [(a)]	**40**	50
	33	43

No provision for credit loss was made at 31 December 2020 and 31 December 2019 in respect of the amounts due from joint ventures as they were considered to be of low credit risk. The expected credit loss was minimal as the amounts were due from companies which the Group has joint control, and where applicable, including participation in their financial and operating policies, and which are subject to the Group's financial and investment requirements. These amounts had no recent history of default. There was no unfavourable current conditions and forecast future economic conditions at the reporting date that would require the Group to make a provision for expected credit loss in respect of these assets.

There are no material contingent liabilities relating to the Group's interests in the joint ventures, saved as for those disclosed in note 31.

(a) Amounts due from joint ventures

	2020	2019
	EUR million	EUR million
Amounts due from joint ventures [(i)]		
Interest free	**8**	6
Interest bearing at floating rates [(ii)]	**35**	44
	43	50
Amounts due to joint ventures [(iii)]		
Interest free	**3**	-
	40	50

(i) At 31 December 2020 and 2019, the amounts due from joint ventures are unsecured and have no fixed terms of repayment.

(ii) At 31 December 2020, EUR35 million (2019: EUR44 million) bear interests at floating rates at approximately 3.10% to 5.71% (2019: 3.98% to 5.71%) per annum with reference to Hong Kong Interbank Offered Rate, as applicable.

(iii) At 31 December 2020, the amounts due to joint ventures are unsecured and have no fixed terms of repayment.

(b) Set out below are the aggregate amount of the Group's share of the following items of joint ventures:

	2020	2019
	EUR million	EUR million
Profits less losses after tax and total comprehensive income (losses)	(1)	(2)

As at 31 December 2020 and 2019, no interests in joint ventures are individually material to the Group.

15 Deferred tax

	2020 **EUR million**	2019 EUR million
Deferred tax assets	**1,784**	2,042
Deferred tax liabilities	**28**	24
Net deferred tax assets	**1,756**	2,018

Movements in net deferred tax assets (liabilities) are summarised as follows:

	2020 **EUR million**	2019 EUR million
At 1 January	**2,018**	2,102
Relating to subsidiaries disposed (see note 28(c))	**(210)**	-
Transfer to current tax	**-**	(1)
Net credit to other comprehensive income	**-**	2
Net credit (charge) to the income statement		
Tax losses	**(147)**	(119)
Accelerated depreciation allowances	**149**	(7)
Fair value adjustments arising from acquisitions	**(28)**	(19)
Other temporary differences	**40**	(2)
Exchange translation differences	**(60)**	62
Transfer to assets classified as held for sale (see note 19)	**(6)**	-
At 31 December	**1,756**	2,018

Analysis of net deferred tax assets (liabilities):

	2020 **EUR million**	2019 EUR million
Tax losses	**1,569**	1,774
Accelerated depreciation allowances	**(157)**	(145)
Fair value adjustments arising from acquisitions	**40**	121
Revaluation of other investments	**3**	3
Other temporary differences	**301**	265
	1,756	2,018

The Group is subject to income taxes in a number of jurisdictions and significant judgement is required in determining the provision for income taxes. To the extent that dividends distributed from investments in subsidiaries, branches and interests in joint ventures are expected to result in additional taxes, appropriate amounts have been provided for. No deferred tax has been provided for the temporary differences arising from undistributed profits of these companies to the extent that the undistributed profits are considered permanently employed in their businesses and it is probable that such temporary differences will not reverse in the foreseeable future.

The deferred tax assets and liabilities are offset when there is a legally enforceable right to set off and when the deferred income taxes relate to the same fiscal authority. The amounts shown in the consolidated statement of financial position are determined after appropriate offset.

Note 37(b)(iv) contains information about the estimates, assumptions and judgements relating to the recognition of deferred tax assets for unutilised tax losses carried forward.

The Group has not recognised deferred tax assets of EUR2,639 million at 31 December 2020 (2019: EUR1,967 million) in respect of unutilised tax losses, tax credits and deductible temporary differences totalling EUR11,786 million (2019: EUR8,276 million). Other than unutilised tax losses of EUR2,625 million (2019: nil) which are expected to expire after 10 years, these unutilised tax losses, tax credits and deductible temporary differences can be carried forward against future taxable income indefinitely.

16 Other non-current assets

	2020 EUR million	2019 EUR million
Customer acquisition and retention costs [(a)]	**431**	344
Contract assets (see note 18(c))	**352**	402
Unlisted investments		
Financial assets at FVOCI - equity securities [(b)]	**2**	2
Pension assets (see note 23)	**2**	2
Derivative financial instruments		
Cash flow hedges - Other contracts	**1**	-
Lease receivables [(c)]	**25**	28
	813	778

(a) Customer acquisition and retention costs primarily relate to incremental commission costs incurred to obtain telecommunications contracts with customers. The amount of customer acquisition and retention cost shown above is after deducting the amortisation charged to the current year's income statement of EUR307 million (2019: EUR180 million). Further, there was no impairment loss in relation to the cost capitalised. The Group applies the practical expedient in paragraph 94 of IFRS 15, and recognises the incremental costs of obtaining contracts as an expense when incurred if the amortisation period of the costs that the Group otherwise would have recognised is one year or less.

(b) These equity securities are not investments held for trading purpose. The Group made an irrevocable election at initial recognition to account for these investments at fair value through other comprehensive income. Fair value for these investments are determined by using valuation techniques, including discounted cashflow analysis.

(c) No provision for credit loss was made at 31 December 2020 and 31 December 2019 in respect of the lease receivables as they were considered to be of low credit risk. The expected credit loss was minimal as lease receivables are from entities which are subject to the Group's stringent lease acceptance requirements. There was no unfavourable current conditions and forecast future economic conditions at the reporting date that would require the Group to make a provision for expected credit loss in respect of these assets.

17 Cash and cash equivalents

	2020 EUR million	2019 EUR million
Cash at bank and in hand	**1,080**	1,019
Short term bank deposits	**2,672**	1,357
	3,752	2,376

The carrying amounts of cash and cash equivalents approximate their fair values.

Cash and cash equivalents were held with reputable financial institutions. The Group controls the credit risk to non-performance by the counterparties, where applicable, through monitoring their equity share price movements and credit ratings as well as setting approved counterparty credit limits that are regularly reviewed. Accordingly, cash and cash equivalents are considered to be of low credit risk and no provision for credit loss was made at 31 December 2020 and 31 December 2019 in respect of these assets.

18 Trade receivables and other current assets

	2020 EUR million	2019 EUR million
Trade receivables [(a)]	**1,394**	1,441
Less: loss allowance provision	**(257)**	(176)
	1,137	1,265
Amounts due from CKHH group entities [(b)]	**7**	-
Other current assets		
Derivative financial instruments		
Cash flow hedges - Other contracts	**5**	-
Contract assets [(c)]	**595**	450
Prepayments	**1,050**	1,025
Other receivables [(d)]	**336**	467
Current tax receivables	**19**	-
	3,149	3,207

(a) Trade receivables are stated at the expected recoverable amount, net of any provision for estimated impairment losses where it is deemed that a receivable may not be fully recoverable. The carrying amounts of these assets approximate their fair values.

Trade receivables exposures are managed locally in the operating units where they arise and credit limits are set as deemed appropriate for the customer. The Group's operating units have established credit policies for customers. The average credit period granted for trade receivables ranges from 30 to 45 days. Trade receivables which are past due at the end of the reporting period are stated at the expected recoverable amount, after netting of provision for estimated impairment losses. The Group generally does not hold collateral over these balances.

At 31 December, the ageing analysis of the trade receivables presented based on the invoice date, is as follows:

	2020 EUR million	2019 EUR million
Less than 31 days	**914**	699
Within 31 to 60 days	**66**	115
Within 61 to 90 days	**29**	39
Over 90 days	**385**	588
	1,394	1,441

Movements on the loss allowance provision for trade receivables are as follows:

	2020 EUR million	2019 EUR million
At 1 January	**176**	95
Additions	**162**	178
Utilisations	**(76)**	(101)
Exchange translation differences	**(5)**	4
At 31 December	**257**	176

18 Trade receivables and other current assets (continued)

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected credit loss provision for trade receivables. The expected credit loss provision rates for trade receivables are based on historical payment profiles and historical credit loss experience, adjusted to reflect, where relevant and appropriate, current and information specific to the debtors, future economic and market conditions and forward-looking information on macroeconomic factors affecting the ability of the debtors to settle the receivables that the Group considers are reasonable and appropriate. To measure the expected credit losses, trade receivables have been grouped based on the days past due. The gross carrying amount of the trade receivables and the loss allowance provision analysed by ageing band are set out below.

	2020			2019		
	Gross carrying amount EUR million	**Loss allowance provision EUR million**	**Expected loss rate Percentage**	Gross carrying amount EUR million	Loss allowance provision EUR million	Expected loss rate Percentage
Not past due	**840**	**13**	**2%**	638	33	5%
Past due less than 31 days	**111**	**21**	**19%**	125	11	8%
Past due within 31 to 60 days	**46**	**14**	**30%**	38	8	21%
Past due within 61 to 90 days	**23**	**9**	**39%**	26	6	22%
Past due over 90 days	**374**	**200**	**53%**	614	118	19%
	1,394	**257**		1,441	176	

(b) At 31 December 2020, the amounts due from CKHH group entities are trading in nature, unsecured, interest free and have no fixed terms of repayment.

(c) As at 31 December 2020, contract assets of EUR595 million (2019: EUR450 million) and EUR352 million (2019: EUR402 million) are included in “Trade receivables and other current assets” (see above) and “Other non-current assets” (see note 16) respectively. These assets are stated at the expected recoverable amount, after netting of provision for estimated impairment losses of EUR159 million (2019: EUR121 million). Movement on the provision for estimated impairment losses are as follows:

	2020 EUR million	2019 EUR million
At 1 January	**121**	65
Additions	**110**	121
Utilisations	**(43)**	(48)
Write back	**(26)**	(19)
Exchange translation differences	**(3)**	2
At 31 December	**159**	121

Contract assets primarily relate to the Group’s rights to consideration for delivered services and devices but not billed at the reporting date. Contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer. The Group’s historical credit loss experience does not indicate a substantial different loss pattern for contract assets as compared to trade receivables for similar customer bases. The Group makes reference to the expected credit loss provision rates for trade receivables to measure the contract asset’s expected credit losses. The rates are adjusted to reflect information specific to the contract assets that may affect the recovery of the carrying amount of the contract assets.

(d) No provision for impairment loss for other receivables was made as at 31 December 2020 and 2019 as the financial assets were considered to be of low credit risk and the expected credit loss was minimal.

19 Assets and liabilities classified as held for sale

	2020 EUR million	2019 EUR million
Assets classified as held for sale		
Disposal group held for sale [(a)]	**132**	-
Non-current assets held for sale [(b)]	**-**	17
	132	17
Liabilities directly associated with assets classified as held for sale [(a)]	**30**	-

(a) In November 2020, the Group entered into agreements to dispose interests in its European telecommunications tower assets in six countries. Disposals of interests in tower assets in Denmark, Austria and Ireland were completed in December 2020. Completion of disposals in Italy and the United Kingdom require relevant regulatory approvals and shareholders' approvals in which only the requisite shareholders' approvals have been obtained as at the reporting date. The Sweden transaction is not subject to regulatory or shareholders' approval. Accordingly, tower assets in Sweden have been reclassified for accounting purpose as disposal group as at the reporting date. There is no gain or loss recognised in the income statement on reclassification. See note 6(c).

The major classes of assets and liabilities classified as held for sale at the reporting date are as follows:

	2020 EUR million	2019 EUR million
Assets		
Fixed assets	**97**	-
Right-of-use assets	**29**	-
Deferred tax assets	**6**	-
Assets classified as held for sale	**132**	-
Liabilities		
Lease liabilities	**30**	-
Liabilities directly associated with assets classified as held for sale	**30**	-
Net assets directly associated with disposal group	**102**	-

	2020 EUR million	2019 EUR million
Cumulative amounts included in other comprehensive income:		
Exchange reserve deficit	**(9)**	-
Reserves of disposal group classified as held for sale	**(9)**	-

(b) In 2018, the Group acquired the remaining 50% interest in the telecommunications businesses in Italy operated by Wind Tre and became the sole shareholder of Wind Tre. Wind Tre has a pre-existing commitment to sell certain telecommunications assets, including sites and frequencies to an external third party which was completed in 2020.

The balance as at 31 December 2019 represented fixed assets.

20 Bank and other debts

	2020 **EUR million**	2019 EUR million
Principal amounts		
Bank loans	**3,854**	4,784
Notes and bonds	**5,134**	5,188
	8,988	9,972
Unamortised loan facilities fees and premiums or discounts related to debts	**(46)**	(61)
	8,942	9,911

Details of the bank and other debts by principal amounts are as follows:

	2020 **EUR million**	2019 EUR million
Bank loans	**3,854**	4,784
Notes and bonds *		
EUR1,500 million notes, 0.375% due 2023	**1,500**	1,500
EUR1,000 million notes, 0.75% due 2026	**1,000**	1,000
EUR1,000 million notes, 1.125% due 2028	**1,000**	1,000
EUR750 million notes, 1.5% due 2031	**750**	750
GBP500 million notes, 2% due 2027	**553**	586
GBP300 million notes, 2.625% due 2034	**331**	352
	5,134	5,188
	8,988	9,972

* Listed

Further analysis of the principal amount of bank and other debts are set out below:

(a) By year of repayment

	2020 **EUR million**	2019 EUR million
Bank loans		
After 1 year, but within 2 years	**2,704**	-
After 2 years, but within 5 years	**1,150**	4,784
	3,854	4,784
Notes and bonds		
After 2 years, but within 5 years	**1,500**	1,500
After 5 years	**3,634**	3,688
	5,134	5,188
	8,988	9,972

(b) By secured and unsecured borrowings

	2020 **EUR million**	2019 EUR million
Unsecured borrowings	**8,988**	9,972

20 Bank and other debts (continued)

Further analysis of the principal amount of bank and other debts are set out below (continued):

(c) By borrowings at fixed and floating interest rate

	2020 EUR million	2019 EUR million
Borrowings at fixed rate	**5,134**	5,188
Borrowings at floating rate	**3,854**	4,784
	8,988	9,972

(d) By currency

	2020 Percentage	2019 Percentage
Euro	**83%**	85%
British Pounds	**10%**	9%
Swedish Krona	**7%**	6%
	100%	100%

21 Trade payables and other current liabilities

	2020 EUR million	2019 EUR million
Trade payables [(a)]	**1,103**	1,414
Amounts due to CKHH group entities [(b)]	**-**	19
Other current liabilities		
Derivative financial instruments		
Cash flow hedges - Other contracts	**-**	6
Contract liabilities	**328**	378
Provisions (see note 22)	**191**	166
Other payables and accruals	**2,944**	2,465
	4,566	4,448

(a) At 31 December, the ageing analysis of the trade payables is as follows:

	2020 EUR million	2019 EUR million
Less than 31 days	**875**	1,204
Within 31 to 60 days	**40**	47
Within 61 to 90 days	**6**	1
Over 90 days	**182**	162
	1,103	1,414

(b) At 31 December 2019, the amounts due to CKHH group entities were trading in nature, unsecured, interest free and had no fixed terms of repayment.

22 Provisions

	Provision for commitments, onerous contracts and other guarantees EUR million	Closure obligation EUR million	Assets retirement obligation EUR million	Others EUR million	Total EUR million
At 1 January 2019	1,215	3	182	75	1,475
Additions	-	-	47	43	90
Interest accretion	-	-	3	-	3
Utilisations	(299)	(1)	(34)	(16)	(350)
Exchange translation differences	-	(1)	7	-	6
At 31 December 2019 and 1 January 2020	**916**	**1**	**205**	**102**	**1,224**
Additions	**-**	**-**	**23**	**40**	**63**
Interest accretion	**-**	**-**	**2**	**-**	**2**
Utilisations	**(111)**	**-**	**(11)**	**(22)**	**(144)**
Relating to subsidiaries disposed (see note 28(c))	**-**	**-**	**(7)**	**-**	**(7)**
Exchange translation differences	**-**	**-**	**(4)**	**-**	**(4)**
At 31 December 2020	**805**	**1**	**208**	**120**	**1,134**

Provisions are analysed as:

	2020 EUR million	2019 EUR million
Current portion (see note 21)	**191**	166
Non-current portion (see note 24)	**943**	1,058
	1,134	1,224

The provision for commitments, onerous contracts and other guarantees represents the unavoidable costs of meeting these commitments and obligations after deducting the associated, expected future benefits and / or estimated recoverable value. The provision for closure obligations represents costs to execute integration plans and store closures. The provision for assets retirement obligations represents the present value of the estimated future costs of dismantling and removing fixed assets when they are no longer used and restoring the sites on which they are located.

23 Pension plans

	2020 EUR million	2019 EUR million
Defined benefit assets (see note 16)	**2**	2
Defined benefit liabilities	**75**	77
Net defined benefit liabilities	**73**	75

The Group operates a number of defined benefit and defined contribution plans, the assets of which are held independently of the Group's assets in trustee administered funds.

(a) Defined benefit plans

The Group's major defined benefit plans are in Hong Kong and Italy. The plans are either contributory final salary pension plans or contributory career average pay plans or non-contributory guaranteed return defined contribution plans. No other post-retirement benefits are provided.

The principal actuarial assumptions used for the purpose of the actuarial valuation were as follows:

	2020	2019
Discount rates	**0.3% - 0.6%**	0.7% - 1.5%
Future salary increases	**1.5% - 3.5%**	1.7% - 4.0%
Interest credited on two principal plans in Hong Kong	**5.0% - 6.0%**	5.0% - 6.0%

The amount recognised in the consolidated statement of financial position is determined as follows:

	2020 EUR million	2019 EUR million
Present value of defined benefit obligations	**99**	102
Fair value of plan assets	**26**	27
Net defined benefit liabilities	**73**	75

Movements in net defined benefit liabilities and its components are as follows:

	Present value of defined benefit obligations EUR million	Fair value of plan assets EUR million	Net defined benefit liabilities EUR million
At 1 January 2020	**102**	**(27)**	**75**
Net charge to the income statement			
Current service cost	**3**	**-**	**3**
Interest cost	**1**	**-**	**1**
	4	**-**	**4**
Net charge (credit) to other comprehensive income			
Remeasurements loss (gain):			
Actuarial loss arising from change in financial assumptions	**2**	**-**	**2**
Actuarial gain arising from experience adjustment	**(1)**	**-**	**(1)**
Return on plan assets excluding interest income	**-**	**(3)**	**(3)**
Exchange translation differences	**(3)**	**3**	**-**
	(2)	**-**	**(2)**
Contributions paid by the employer	**-**	**(4)**	**(4)**
Benefits paid	**(5)**	**5**	**-**
At 31 December 2020	**99**	**(26)**	**73**

23 Pension plans (continued)

(a) Defined benefit plans (continued)

	Present value of defined benefit obligations EUR million	Fair value of plan assets EUR million	Net defined benefit liabilities EUR million
At 1 January 2019	99	(25)	74
Net charge (credit) to the income statement			
Current service cost	2	-	2
Interest cost (income)	2	(1)	1
	4	(1)	3
Net charge (credit) to other comprehensive income			
Remeasurements loss (gain):			
Actuarial gain arising from change in financial assumptions	2	-	2
Actuarial loss arising from experience adjustment	2	-	2
Return on plan assets excluding interest income	-	(2)	(2)
	4	(2)	2
Contributions paid by the employer	-	(4)	(4)
Benefits paid	(5)	5	-
At 31 December 2019	102	(27)	75

The net defined benefit liabilities presented above represent the deficit calculated in accordance with International Accounting Standard 19 "Employee Benefits" ("IAS 19") and is the difference between the present value of the defined benefit obligation and the fair value of plan assets. Management appointed actuaries to carry out a valuation of these pension plans to determine the pension obligation and the fair value of the plan assets that are required to be disclosed and accounted for in the financial statements in accordance with IAS 19 (the "accounting actuarial valuations"). The realisation of the deficit disclosed above is contingent upon the realisation of the actuarial assumptions made which is dependent upon a number of factors including the market performance of plan assets. The accounting actuarial valuations are not used for the purposes of determining the funding contributions to the defined benefit pension plans. Contributions to fund the obligations are based upon the recommendations of independent qualified actuaries for the Group's pension plans to fully fund the relevant schemes on an ongoing basis. Funding requirements of the Group's major defined benefit pension plans are detailed below.

The Group operates two principal pension plans in Hong Kong. One plan, which has been closed to new entrants since 1994, provides pension benefits based on the greater of the aggregate of the employee and employer vested contributions plus a minimum interest thereon of 6% per annum, and pension benefits derived by a formula based on the final salary and years of service. An independent actuarial valuation, undertaken for funding purposes under the provision of Hong Kong's Occupational Retirement Schemes Ordinance ("ORSO"), at 30 June 2019 reported a funding level of 134% of the accrued actuarial liabilities on an ongoing basis. The valuation used the attained age valuation method and the main assumptions in the valuation are an investment return of 5% per annum, salary increases of 4% per annum and interest credited to balances of 6% per annum. The valuation was prepared by Tian Keat Aun, a Fellow of The Institute and Faculty of Actuaries, and William Chow, a Fellow of the Society of Actuaries, of Towers Watson Hong Kong Limited. The second plan provides benefits equal to the employer vested contributions plus a minimum interest thereon of 5% per annum. As at 31 December 2020, vested benefits under this plan are fully funded in accordance with the ORSO funding requirements. During the years ended 31 December 2020 and 31 December 2019, forfeited contributions used to reduce the level of contributions are not significant and the forfeited contribution available at 31 December 2020 and 31 December 2019 to reduce future years' contributions is not significant.

The Group's telecommunications operation in Italy is required under the local laws to pay severance indemnities to employees when the employee leaves the company. The amount of the payment due upon termination of employment is calculated on the basis of the period of employment and the taxable remuneration of the employee. The liability is adjusted annually based on the official cost of living and the legally set interest rate, and is not contingent on any vesting condition or accrual period. The liability is not associated with any funding arrangement; accordingly, there are no assets servicing the liability to pay the severance indemnities. Under the local regulations, for companies with at least 50 employees, the employee can elect to assign his entitlement to severance indemnities accruing from 2007, either to a fund held by INPS Treasury Fund or to a supplementary pension fund. Except for the amount assigned as aforementioned, the employee severance indemnities are recognised as defined benefit plan obligation. In application of IAS 19, the defined benefit plan obligation in respect of these employee severance indemnities have been calculated using the projected unit credit method and the main assumptions used in the accounting actuarial valuation are salary increases of 1.5% per annum and discount rate of 0.5% per annum.

23 Pension plans (continued)

(a) Defined benefit plans (continued)

(i) Plan assets

Fair value of the plan assets are analysed as follows:

	2020 Percentage	2019 Percentage
Equity instruments		
Consumer markets and manufacturing	**6%**	8%
Energy and utilities	**2%**	2%
Financial institutions and insurance	**9%**	10%
Telecommunications and information technology	**19%**	16%
Units trust and equity instrument funds	**15%**	19%
Others	**18%**	18%
	69%	73%
Debt instruments		
US Treasury notes	**3%**	2%
Government and government guaranteed notes	**11%**	9%
Financial institutions notes	**4%**	5%
Others	**5%**	7%
	23%	23%
Other assets	**8%**	4%
	100%	100%

The debt instruments are analysed by issuers' credit rating as follows:

	2020 Percentage	2019 Percentage
Aaa / AAA	**10%**	13%
Aa1 / AA+	**32%**	26%
Aa2 / AA	**4%**	3%
Aa3 / AA-	**5%**	5%
A1 / A+	**8%**	11%
A2 / A	**8%**	10%
Other investment grades	**18%**	22%
No investment grades	**15%**	10%
	100%	100%

The fair value of the above equity instruments and debt instruments are determined based on quoted market prices.

The long term strategic asset allocations of the plans are set and reviewed from time to time by the plans' trustees taking into account the membership and liability profile, and the liquidity requirements of the plans.

23 Pension plans (continued)

(a) Defined benefit plans (continued)

(ii) Defined benefit obligation

The average duration of the defined benefit obligation as at 31 December 2020 is 9 years (2019: 10 years).

The Group expects to make contributions of EUR3 million (2019: EUR3 million) to the defined benefit plans next year.

IAS 19 “Employee Benefits” requires disclosure of a sensitivity analysis for the significant actuarial assumptions, used to determine the present value of the defined benefit obligations, that shows the effects of a hypothetical change in the relevant actuarial assumption at the end of the reporting period on defined benefit obligations.

The effect that is disclosed in the following assumes that (a) a hypothetical change of the relevant actuarial assumption had occurred at the end of the reporting period and had applied to the relevant actuarial assumption in existence on that date; and (b) the sensitivity analysis for each type of actuarial assumption does not reflect inter-dependencies between different assumptions.

The preparation and presentation of the sensitivity analysis for significant actuarial assumptions is solely for compliance with IAS 19 disclosure requirements in respect of defined benefit obligations. The sensitivity analysis measures changes in the defined benefit obligations from hypothetical instantaneous changes in one actuarial assumption (e.g. discount rate or future salary increase), the amount so generated from the sensitivity analysis are “what-if” forward-looking estimates. The sensitivity analyses are for illustration purposes only and it should be noted that in practice actuarial assumptions rarely change in isolation. Actual results in the future may differ materially from the sensitivity analyses due to developments in the markets which may cause fluctuations in actuarial assumptions (e.g. discount rate or future salary increase) to vary and therefore it is important to note that the hypothetical amounts so generated do not present a projection of likely future events and profits or losses.

If the discount rate is 0.25% higher or lower, the defined benefit obligation would decrease by 2.2% or increase by 2.2% respectively (2019: decrease by 2.1% or increase by 2.2% respectively).

If the future salary increase is 0.25% higher or lower, the defined benefit obligation would increase by 0.1% or decrease by 0.1% respectively (2019: increase by 0.1% or decrease by 0.1% respectively).

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position.

(b) Defined contribution plans

The Group’s cost in respect of defined contribution plans for the year amounted to EUR41 million (2019: EUR40 million) which has been charged to the profit or loss for the year. During the years ended 31 December 2020 and 31 December 2019, forfeited contributions used to reduce the level of contributions are not significant and no forfeited contribution was available at 31 December 2020 (2019: nil) to reduce future years’ contributions.

24 Other non-current liabilities

	2020 **EUR million**	2019 EUR million
Obligations for telecommunications licences and other rights	**595**	810
Other non-current liabilities	**383**	351
Provisions (see note 22)	**943**	1,058
	1,921	2,219

25 Share capital, share premium and capital management

(a) Share capital and share premium

	Number of shares	Share capital EUR	Share premium EUR	Total EUR
Authorised:				
Ordinary shares of EUR1 each	**40,000**	**40,000**	-	**40,000**

	Number of shares	Share capital EUR million	Share premium EUR million	Total EUR million
Issued and fully paid:				
Ordinary shares				
At 1 January 2019	-	-	-	-
Issue of new shares				
On incorporation [(i)]	**1**	-	-	-
On 26 June 2019 [(i)]	**32**	-	-	-
Pursuant to the Reorganisation on 25 July 2019 [(ii)]	**1**	-	**660**	**660**
Pursuant to the Reorganisation on 26 July 2019 [(ii)]	**30**	-	**20,257**	**20,257**
At 31 December 2019 and 31 December 2020	**64**	-	**20,917**	**20,917**

The Company was incorporated in the Cayman Islands on 26 June 2019 with an authorised share capital of EUR40,000 divided into 40,000 shares of a par value of EUR1 each.

(i) On the date of incorporation, one share was allotted and issued as fully-paid at par and in cash to the initial subscriber to the Memorandum of Association, namely Mapcal Limited, an independent third party, and 32 shares were allotted and issued as fully-paid at an aggregate consideration of EUR32,999 and in cash to Barusley Limited, which is the immediate holding company of the Company. On the same date, Mapcal Limited transferred the said one share to Barusley Limited.

(ii) On 25 and 26 July 2019, a total of 31 shares were allotted and issued as fully-paid to Barusley Limited for acquisition of the CKHH Group's telecommunication businesses in Europe and Hong Kong and assignment to the Group of loans owed by these businesses to CKHH group entities totalling EUR20,868 million and for cash of EUR49 million.

(iii) The corresponding share capital amount and share premium amount arising from the issuances mentioned in (i) and (ii) were EUR64 and EUR20,917 million, respectively.

(b) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue to provide returns for shareholders and to support the Group's stability and growth. The Group regularly reviews and manages its capital structure to ensure optimal capital structure to maintain a balance between higher shareholders' returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

At 31 December 2020, total equity amounted to EUR26,121 million (2019: EUR23,773 million), and consolidated net debt of the Group was EUR5,236 million (2019: EUR7,596 million). The Group's net debt to net total capital ratio decreased to 16.7% from 24.2% at the end of last year.

As additional information, the following table shows the net debt to net total capital ratios calculated on the basis of marking the Group's investments in its listed subsidiaries to market value at the end of the reporting period.

Net debt / Net total capital ratios [(i)] at 31 December:

	2020	2019
A1	**16.7%**	24.2%
A2 - as in A1 above and investments in listed subsidiaries marked to market value	**17.0%**	24.6%

(i) Net debt is defined on the consolidated statement of cash flows. Total bank and other debts are defined, for the purpose of "Net debt" calculation, as the total principal amount of bank and other debts. Net total capital is defined as total bank and other debts plus total equity net of total cash and cash equivalents.

26 Reserves

			2020			
			Attributable to owners of the Company			
	Retained profit EUR million	**Exchange reserve EUR million**	**Hedging reserve EUR million**	**Merger reserve [a] EUR million**	**Other capital reserve EUR million**	**Total EUR million**
At 1 January 2020	**3,912**	**820**	**(4)**	**(3,028)**	**(109)**	**1,591**
Profit for the year	**3,235**	**-**	**-**	**-**	**-**	**3,235**
Other comprehensive income (losses)						
Remeasurement of defined benefit obligations recognised directly in reserves	**1**	**-**	**-**	**-**	**-**	**1**
Gains on cash flow hedges recognised directly in reserves	**-**	**-**	**12**	**-**	**-**	**12**
Losses on translating overseas subsidiaries' net assets recognised directly in reserves	**-**	**(408)**	**-**	**-**	**-**	**(408)**
Losses previously in exchange reserve related to subsidiaries disposed during the year recognised in income statement	**-**	**8**	**-**	**-**	**-**	**8**
Other comprehensive income (losses), net of tax	**1**	**(400)**	**12**	**-**	**-**	**(387)**
Transaction with owners in their capacity as owners:						
Relating to purchase of non-controlling interests [c]	**(415)**	**-**	**-**	**-**	**-**	**(415)**
At 31 December 2020	**6,733**	**420**	**8**	**(3,028)**	**(109)**	**4,024**

			2019			
			Attributable to owners of the Company			
	Retained profit EUR million	Exchange reserve EUR million	Hedging reserve EUR million	Merger reserve [a] EUR million	Other capital reserve EUR million	Total EUR million
At 1 January 2019	2,583	578	10	7,547	(87)	10,631
Profit for the year	1,725	-	-	-	-	1,725
Other comprehensive income (losses)						
Remeasurement of defined benefit obligations recognised directly in reserves	(2)	-	-	-	-	(2)
Losses on cash flow hedges recognised directly in reserves	-	-	(16)	-	-	(16)
Gains on translating overseas subsidiaries' net assets recognised directly in reserves	-	242	-	-	-	242
Tax relating to components of other comprehensive income (losses)	-	-	2	-	-	2
Other comprehensive income (losses), net of tax	(2)	242	(14)	-	-	226
Transaction with owners in their capacity as owners:						
Dividends paid to CKHH group entities prior to the Reorganisation	(394)	-	-	(5)	-	(399)
Relating to purchase of non-controlling interests	-	-	-	-	(22)	(22)
Arising from the Reorganisation [b]	-	-	-	(10,570)	-	(10,570)
At 31 December 2019	3,912	820	(4)	(3,028)	(109)	1,591

(a) Merger reserve represents the difference between the capital contributions from CKHH group entities to the companies now comprising the Group before the Reorganisation and the consideration paid by the Group for acquisition of the CKHH Group's telecommunication businesses in Europe and Hong Kong.

(b) Amount represents the difference of the total consideration of EUR20,917 million and the settlement in the form of loan assignment of EUR10,298 million and cash payment of EUR49 million.

(c) During the year, the Group had acquired the remaining 40% attributable interests in the telecommunications tower assets in Sweden and Denmark from the Group's telecommunications partner in these countries. The acquisition is accounted for as a transaction with equity participant and the economic effect is recorded in equity.

27 Tax effects of other comprehensive income (losses) for the year

Set out below are the before and after related tax effects of other comprehensive income (losses) for the year:

	2020		
	Before-tax amount EUR million	**Tax effect EUR million**	**Net-of-tax amount EUR million**
Remeasurement of defined benefit obligations recognised directly in reserves	**1**	**-**	**1**
Gains on cash flow hedges recognised directly in reserves	**12**	**-**	**12**
Losses on translating overseas subsidiaries' net assets recognised directly in reserves	**(427)**	**-**	**(427)**
Losses previously in exchange reserve related to subsidiaries disposed during the year recognised in income statement	**8**	**-**	**8**
	(406)	**-**	**(406)**

	2019		
	Before-tax amount EUR million	Tax effect EUR million	Net-of-tax amount EUR million
Remeasurement of defined benefit obligations recognised directly in reserves	(2)	-	(2)
Losses on cash flow hedges recognised directly in reserves	(16)	2	(14)
Gains on translating overseas subsidiaries' net assets recognised directly in reserves	250	-	250
	232	2	234

28 Notes to consolidated statement of cash flows

(a) Reconciliation of profit after tax to cash generated from operating activities before interest expenses and other finance costs, tax paid and changes in working capital

	2020 EUR million	2019 EUR million
Profit after tax	**3,297**	1,796
Less: share of profits less losses of joint ventures	**1**	2
	3,298	1,798
Adjustments for:		
Current tax charge	**83**	49
Deferred tax charge (credit)	**(14)**	147
Interest expenses and other finance costs	**243**	510
Depreciation and amortisation	**2,612**	2,325
EBITDA of Company and subsidiaries (i)	**6,222**	4,829
Losses (profits) on disposal of fixed assets	**1**	(1)
Profit on disposal of subsidiary companies (see note 6)	**(1,721)**	-
Customer acquisition and retention cost capitalised in the year	**(393)**	(348)
Other non-cash items	**11**	(25)
	4,120	4,455

(i) Reconciliation of EBITDA:

	2020 EUR million	2019 EUR million
EBITDA of Company and subsidiaries	**6,222**	4,829
Share of EBITDA of joint ventures		
Share of profits less losses of joint ventures	**(1)**	(2)
Adjustments for:		
Current tax charge	**1**	1
Interest expenses and other finance costs	**2**	2
Depreciation and amortisation	**5**	5
	7	6
EBITDA (see note 5(b)(ii))	**6,229**	4,835

(b) Changes in working capital

	2020 EUR million	2019 EUR million
Decrease in inventories	**41**	19
Decrease (increase) in trade receivables and other current assets	**(125)**	123
Decrease in trade payables and other current liabilities	**(457)**	(740)
Other non-cash items	**99**	118
	(442)	(480)

28 Notes to consolidated statement of cash flows (continued)

(c) Disposal of subsidiary companies

	2020 EUR million	2019 EUR million
Consideration received or receivable		
Cash and cash equivalents	**2,186**	-
Carrying amount of net assets disposed	**(457)**	-
Cumulative exchange losses in respect of the net assets of the subsidiaries reclassified from equity to profit or loss on loss of control of subsidiaries	**(8)**	-
Gain on disposal*	**1,721**	-
Net cash inflow on disposal of subsidiaries		
Cash and cash equivalents received as consideration	**2,186**	-
Analysis of assets and liabilities over which control was lost		
Fixed assets	**197**	-
Right-of-use assets	**203**	-
Goodwill	**74**	-
Deferred tax assets	**210**	-
Lease liabilities	**(220)**	-
Other non-current liabilities	**(7)**	-
Net assets disposed	**457**	-

* The gains on disposal for the year ended 31 December 2020 are recognised in the consolidated income statement and are included in the line item titled "Other income and gains".

Disposal of subsidiary companies for the year ended 31 December 2020 mainly related the disposal of interest in tower assets in Denmark, Austria and Ireland (see note 5(b)(xiii)).

Saved as disclosed for the effect arising from the gain on disposal, the effect on the Group's results from the subsidiaries disposed during the year are not material for the year ended 31 December 2020.

28 Notes to consolidated statement of cash flows (continued)

(d) Changes in liabilities arising from financing activities

The following table sets out an analysis of the cash flows and non-cash flows changes in liabilities arising from financing activities:

	Bank and other debts EUR million	Lease liabilities EUR million	Amounts due to CKHH group entities EUR million	Total EUR million
At 1 January 2019	10,517	2,920	9,650	23,087
Financing cash flows				
New borrowings	20,316	-	-	20,316
Repayment of borrowings	(20,951)	-	-	(20,951)
Capital element of lease liabilities paid (see note 10(c))	-	(623)	-	(623)
Net loans from CKHH group entities	-	-	594	594
Other changes				
Amortisation of loan facilities fees and premiums or discounts relating to borrowings (see note 7)	15	-	-	15
Remeasurement / write off of lease liabilities	-	84	-	84
Increase in lease liabilities from entering into new leases (see note 10(a))	-	788	-	- 788
Interest on lease liabilities (see note 7)	-	117	-	117
Interest element of lease liabilities paid (included in "Net cash from operating activities")	-	(111)	-	(111)
Loan assignment settled by shares issue of the Company (note 26(b))	-	-	(10,298)	(10,298)
Exchange translation differences	14	30	54	98
At 1 January 2020	**9,911**	**3,205**	-	**13,116**
Financing cash flows				
New borrowings	**100**	-	-	**100**
Repayment of borrowings	**(1,050)**	-	-	**(1,050)**
Capital element of lease liabilities paid (see note 10(c))	-	**(798)**	-	**(798)**
Other changes				
Amortisation of loan facilities fees and premiums or discounts relating to borrowings (see note 7)	**15**	-	-	**15**
Remeasurement / write off of lease liabilities	-	**(77)**	-	**(77)**
Increase in lease liabilities from entering into new leases (see note 10(a))	-	**617**	-	- **617**
Interest on lease liabilities (see note 7)	-	**105**	-	**105**
Interest element of lease liabilities paid (included in "Net cash from operating activities")	-	**(100)**	-	**(100)**
Relating to subsidiaries disposed (see note 28(c))	-	**(220)**	-	**(220)**
Exchange translation differences	**(34)**	**(21)**	-	**(55)**
Transfer to liabilities directly associated with assets classified as held for sale (see note 19)	-	**(30)**	-	**(30)**
At 31 December 2020	**8,942**	**2,681**	-	**11,623**

29 Share-based payments

The Company and its subsidiary companies do not have share option scheme as at 31 December 2020 and 31 December 2019. In prior year, a subsidiary issued equity-settled share-based payments to certain employees. The amount of such share-based payments was not material to the Group's results for the comparative year. These share-based payments had no effect on the Group's results for the current year.

30 Pledge of assets

At 31 December 2020, no assets of the Group (2019: nil) were pledged as security for bank and other debts.

31 Contingent liabilities and guarantees

At 31 December 2020, the Group had provided performance and other guarantees of EUR470 million (2019: EUR26 million).

32 Commitments

The Group's outstanding commitments contracted for at 31 December 2020, where material, not provided for in the financial statements at 31 December 2020 are as follows:

Capital commitments

(a) **3** Group Europe - EUR367 million (2019: EUR1,033 million)
(b) Telecommunications, Hong Kong - EUR251 million (2019: EUR273 million)

33 Related party transactions

(a) Key management personnel remuneration

The remuneration for the directors of the Company (being the key management personnel) for the current and comparative 2019 years are borne by CKHH group entities.

(b) Saved as disclosed elsewhere in these financial statements, the following transactions occurred with other related parties:

	2020	2019
	EUR million	EUR million
Sales of contract assets (handset receivables) to CKHH group entities [(i)]	**583**	628
Exchange losses hedged to CKHH group entities [(ii)]	**(4)**	(43)

(i) During the year, the Group has entered into handset receivable agreements with CKHH group entities which resulted in the sale of certain contract assets (unbilled handset receivables) for which the Group was paid at the carrying cost of the contract assets sold, being the face value of the underlying unbilled handset receivables less the related allowance to cover the credit and late payment risk.

(ii) During the year, the Group has entered into a foreign exchange economic hedge agreement with CKHH group entities which resulted in the transfer of foreign exchange exposure in relation to a notional amount of US$200 million as at 31 December 2020 (2019: US$275 million).

34 Legal proceedings

As at 31 December 2020, the Group is not engaged in any material litigation or arbitration proceedings, and no material litigation or claim is known by the Group to be pending or threatened against it.

35 Significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements to the extent they have not already been disclosed in the other notes elsewhere in these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Business combinations under common control

The Group applies the predecessor values accounting to account for combination of entities or businesses under common control. The financial statements incorporate the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been obtained from the date when the combining entities or business first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities, contingent liabilities over cost at the time of common control combination, to the extent of the combination of the controlling party's interest. All differences between the cost of acquisition (fair value of consideration paid) and the amounts at which the assets and liabilities are recorded have been recognised directly in equity.

(b) Subsidiary companies

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

35 Significant accounting policies (continued)

(c) Joint arrangement

A joint arrangement is an arrangement of which two or more parties have joint control and over which none of the participating parties has unilateral control.

Investments in joint arrangements are classified either as joint operations or joint ventures, depending on the contractual rights and obligations each investor has. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. The Group recognises its direct right to the assets, liabilities, revenue and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement. The results and net assets of joint ventures are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5, Non-current assets held for sale and discontinued operations. The total carrying amount of such investments is reduced to recognise any identified impairment loss in the value of individual investments.

(d) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits and financial assets that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the income statement.

(e) Fixed assets

Fixed assets are stated at cost less depreciation and any impairment loss. Buildings are depreciated on the basis of an expected life of 50 years, or the remainder thereof, or over the remaining period of the lease of the underlying leasehold land, whichever is less. The period of the lease includes the period for which a right to renewal is attached.

Depreciation of other fixed assets is provided on the straight-line basis to write off their costs over their estimated useful lives. The principal annual rates used for these purposes are as follows:

Motor vehicles	20 - 25%
Plant, machinery and equipment	3 ⅓ - 20%
Telecommunications equipment	2.5 - 20%
Leasehold improvements	Over the unexpired period of the lease or 15%, whichever is greater

The gain or loss on disposal or retirement of a fixed asset is the difference between the net sales proceeds and the carrying amount.

35 Significant accounting policies (continued)

(f) Leases

(i) Group as a lessee

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the lease liability and interest on lease liability. The interest on lease liability is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable.
- variable lease payment that are based on an index or a rate.
- amounts expected to be payable by the lessee under residual value guarantees.
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option.
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability.
- lease payments made at or before the commencement date less any lease incentives received.
- initial direct costs and restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office furniture and certain IT-equipment.

Some leases contain variable payment terms that are linked to sales generated from a store. For individual retail stores, lease payments are on the basis of variable payment terms and there is a wide range of sales percentages applied. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

Extension and termination options are included in a number of leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

(ii) Group as a lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying asset to the lessee. If this is not the case, the lease is classified as an operating lease.

However, when the Group is an intermediate lessor the sublease are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

35 Significant accounting policies (continued)

(g) Telecommunications licences, other licences, brand names, trademarks and other rights

Separately acquired telecommunications licences, other licences, brand names, trademarks and other rights are carried at historical cost. Telecommunications licences, other licences, brand names, trademarks and other rights with a finite useful life are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of these assets over their estimated useful lives:

Telecommunications licences and other licences	2 to 20 years
Brand names, trademarks and other rights	2 to 20 years

Telecommunications licences, other licences, brand names, trademarks and other rights that are considered to have indefinite useful lives to the Group are not amortised and are tested for impairment annually and when there is indication that they may be impaired.

(h) Customer acquisition and retention costs

Customer acquisition and retention costs ("CACs") comprise the net costs to acquire and retain customers, which are mainly mobile telecommunication 3G and LTE customers. CACs are expensed and recognised in the income statement in the period in which they are incurred, except (i) the costs are incremental of obtaining a contract and they are expected to be recovered; and (ii) the costs relate directly to the contract, generate resources used in satisfying the contract and are expected to be recovered, then they are capitalised and amortised over the customer contract period. Appropriate allowance are recognised if the carrying amounts of the capitalised costs exceed the remaining amount that the Group expects to receive less any directly related costs that have not been recognised as expenses.

(i) Goodwill

Goodwill is initially measured at cost, being excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the fair value of the net identifiable assets acquired and liabilities assumed. Goodwill on acquisition of a foreign operation is treated as an asset of the foreign operation.

Goodwill is subject to impairment test annually and when there is indication that the carrying value may not be recoverable.

If the cost of acquisition is less than the fair value of the Group's share of the net identifiable assets of the acquired company, the difference is recognised directly in the income statement.

The profit or loss on disposal is calculated by reference to the net assets at the date of disposal including the attributable amount of goodwill but does not include any attributable goodwill previously eliminated against reserves.

(j) Contractual customer relationships

Separately acquired contractual customer relationships are carried at historical cost. These contractual customer relationships are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method from five to fifteen years over the expected useful life of the customer relationship.

(k) Deferred tax

Deferred tax is recognised, using the liabilities method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax losses and tax credits can be utilised.

35 Significant accounting policies (continued)

(l) Other unlisted investments and other financial assets

"Other unlisted investments", disclosed under other non-current assets, are investments in unlisted equity securities. These investments are recognised and de-recognised on the date the Group commits to purchase or sell the investments or when they expire.

(i) Measurement

Debt instrument financial assets subsequent to initial recognition are measured as follows:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets, impairment losses, foreign exchange gains and losses, and gain or loss arising on derecognition are recognised directly in profit or loss.

Financial assets at fair value through other comprehensive income ("FVOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment losses and reversals, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to, and recognised in, profit or loss.

Financial assets at fair value through profit or loss ("FVPL"): Assets that do not meet the criteria for amortised cost or FVOCI, or designated as FVPL using fair value option, are measured at FVPL. A gain or loss on a debt instrument that is subsequently measured at FVPL is recognised in profit or loss in the period in which it arises.

Equity instrument financial assets are measured at fair value at and subsequent to initial recognition. Changes in the fair value of these financial assets are normally recognised in profit or loss. Dividends from such investments are recognised in profit or loss when the Group's right to receive payments is established. Where an election is made to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

(ii) Impairment

Under the expected loss approach, the Group assesses on a forward looking basis the expected credit losses associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The impairment model under IFRS 9 applies to debt instruments measured at amortised cost and at FVOCI, contract assets under IFRS 15, lease receivables, loan commitments and certain financial guarantee contracts. The Group applies the simplified approach to recognise lifetime expected losses for trade receivables, due from customers and contract assets. As regards lease receivables, loan commitments, financial guarantee contracts, and certain other financial assets (which are presented under Liquid funds and other listed investments, and other unlisted investments) the Group considers that they have low credit risk and hence recognises 12-month expected credit losses for such items.

(m) Derivative financial instruments and hedging activities

Derivative financial instruments are utilised by the Group in the management of its foreign currency and interest rate exposures. Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedges of net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

35 Significant accounting policies (continued)

(m) Derivative financial instruments and hedging activities (continued)

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

At the inception of the hedging, the Group documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedges items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

The fair values of derivative financial instruments designated in hedge relationships are disclosed in note 38(h). Movements in the hedging reserve in shareholders' equity are shown in note 26. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Cash flow hedges

Where a derivative financial instrument is designated as a hedging instrument in a cash flow hedge, the effective portion of any gain or loss on the derivative financial instrument is recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset such as inventory, the associated gain or loss is reclassified from equity to be included in the initial cost of the non-financial asset. For all other hedged forecast transactions, the amount accumulated in the hedging reserve is reclassified from equity to profit or loss in the same period or periods during which the hedged cash flows affect profit or loss (such as when a forecast sale occurs or interest expense is recognised).

If a hedge no longer meets the criteria for hedge accounting (including when the hedging instrument expires or is sold, terminated or exercised), then hedge accounting is discontinued prospectively. When hedge accounting is discontinued, but the hedged forecast transaction is still expected to occur, the amount that has been accumulated in the hedging reserve remains in equity until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the amount that has been accumulated in the hedging reserve is reclassified from equity to profit or loss immediately.

(n) Trade and other receivables, and contract assets

Trade receivables are recognised when the Group's right to consideration is unconditional that only the passage of time is required before the payment is due.

Contract assets primarily relate to the Group's rights to consideration for delivered goods or services but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

Trade and other receivables and contract assets are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less allowances for expected credit losses. The Group measured the loss allowance for its trade and other receivables and contract assets at an amount equal to the lifetime expected credit losses. Appropriate allowance for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired. Trade and other receivables and contract assets are written off to the extent that there is no reasonable expectation of recovery.

(o) Inventories

Inventories consist mainly of retail goods. The carrying value of retail stock is mainly determined using the weighted average cost method. Inventories are stated at the lower of cost and net realisable value. Cost includes all direct expenditure and other appropriate attributable costs incurred in bringing inventories to their present location and condition.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

35 Significant accounting policies (continued)

(q) Borrowings and borrowing costs

Borrowings and debt instruments are initially measured at fair value, net of transaction costs, and are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the settlement or redemption amount is recognised over the period of the borrowings using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

(r) Trade and other payables, and contract liabilities

Trade and other payables and contract liabilities are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

The contract liabilities primarily relate to the advance consideration received from customers, where the Group has the unconditional right to considerations before the goods or services are delivered. They are released and revenues are recognised when the performance obligations are satisfied upon transferring of goods and services to customers.

(s) Share capital

Share capital issued by the Company are recorded in equity at the proceeds received, net of direct issue costs.

(t) Provisions

Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a present obligation as a result of past events and a reliable estimate can be made of the amount of the obligation.

(u) Asset impairment

Assets that have an indefinite useful life are tested for impairment annually and when there is indication that they may be impaired. Assets that are subject to depreciation and amortisation are reviewed for impairment to determine whether there is any indication that the carrying value of these assets may not be recoverable and have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of an asset's fair value less costs to dispose and value in use. Such impairment loss is recognised in the income statement except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that asset, in which case it is treated as a revaluation decrease.

(v) Pension plans

Pension plans are classified into defined benefit and defined contribution plans. The pension plans are generally funded by the relevant group companies taking into account the recommendations of independent qualified actuaries and by payments from employees for contributory plans.

The Group's contributions to the defined contribution plans are charged to the income statement in the year incurred.

Pension costs for defined benefit plans are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the income statement so as to spread the regular cost over the future service lives of employees in accordance with the advice of the actuaries who carry out a full valuation of the plans. The liability or asset recognised in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of the plan assets. The present value of the defined benefit obligation is measured by discounting the estimated future cash outflows using interest rates determined by reference to market yields at the end of the reporting period based on government agency or high quality corporate bonds with currency and term similar to the estimated term of benefit obligations.

Remeasurements arising from defined benefit plans are recognised in other comprehensive income in the period in which they occur and reflected immediately in retained profit. Remeasurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability (asset)) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)).

Pension costs are charged to the income statement within staff costs.

35 Significant accounting policies (continued)

(w) Share-based payments

The Company and its subsidiary companies do not have share option scheme as at 31 December 2020 and 31 December 2019 but one of the Company's subsidiary companies issued equity-settled share-based compensation plans. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the respective group company's estimate of their shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

(x) Foreign exchange

Transactions in foreign currencies are converted at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities are translated at the rates of exchange ruling at the end of the reporting period.

The financial statements of foreign operations are translated into Euro using the year end rates of exchange for the statement of financial position items and the average rates of exchange for the year for the income statement items. Exchange differences are recognised in other comprehensive income and accumulated under the heading of exchange reserve. Exchange differences arising from foreign currency borrowings and other currency instruments designated as hedges of such overseas investments, are recognised in other comprehensive income and accumulated under the heading of exchange reserve.

Exchange differences arising from translation of inter-company loan balances between group entities are recognised in other comprehensive income and accumulated under the heading of exchange reserve when such loans form part of the Group's net investment in a foreign entity. On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange gains or losses accumulated in exchange reserve in respect of that operation attributable to the owners of the Company are transferred out of the exchange reserve and are recognised in the income statement.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in the income statement. For all other partial disposals (i.e. partial disposals of associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is transferred out of the exchange reserve and are recognised in the income statement.

All other exchange differences are recognised in the income statement.

(y) Business combinations

The Group applies the provisions of IFRS 3, Business combinations, to transactions and other events that meet the definition of a business combination within the scope of IFRS 3. Where the acquisition method of accounting is used to account for business combinations, the consideration transferred is the sum of the acquisition date fair values of the assets transferred, equity instruments issued or liabilities incurred by the Group to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are generally recognised in profit or loss as incurred. Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

The difference between the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any pre-existing investment in the acquiree over the acquisition date fair value of assets acquired and the liabilities assumed is recognised as goodwill. If the consideration transferred and the fair value of pre-existing investment in the acquiree is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the Group, the difference is recognised as a gain directly in profit or loss by the Group on the acquisition date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the Group's previously held equity interest in the acquiree.

Business combinations are initially accounted for on a provisional basis. The Group retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed as of the acquisition date. The measurement period is the period from the date the Group obtains complete information about the facts and circumstances that existed as of the acquisition date, and ends on 12 months from the date of the acquisition.

35 Significant accounting policies (continued)

(z) Revenue recognition

Revenue is measured at the fair value of the consideration received and receivable and represents amounts receivable for goods and services provided in the normal course of business. Revenue from contracts with customers is measured based on the consideration specified in a contract with a customer and exclude amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or service to a customer.

Revenue represents amounts earned for services rendered and for the sale of mobile and related devices. The Group recognises revenue for mobile devices when it transfers the control over the device to the customer which is usually the time the customer signs up to a contract. The Group recognises revenue for mobile telecommunication services as the services are rendered. Monthly recurring charges and additional airtime used by contract customers are invoiced and recorded as part of a periodic billing cycle and recognised as revenue over the related access period. Unbilled revenue resulting from services already provided from the billing cycle date to the end of each period is accrued, and unearned monthly access charges relating to periods after each accounting period are deferred. Products and services may be sold separately or in a bundled transaction. Revenue from the sale of prepaid credit is deferred until such time as the customer uses the airtime, or the credit expires.

For bundled transactions under contract comprising the provision of telecommunications services and sale of a device (e.g. handsets), the elements are accounted for separately if they are distinct. A product or service is distinct if they are separately identifiable from other items in the bundled package and if the customer can benefit from it. The revenue is allocated to the respective element in an amount that reflects the consideration to which the Group expects to be entitled in exchange for the services and device, where device revenue is recognised at the inception of the contract upon delivery to the customer and services revenue is recognised throughout the contract period as the services are provided.

Other service income is recognised when the service is rendered. Customer service revenue is mobile telecommunications service revenue, and where a customer is invoiced for a bundled transaction under contract, the invoiced amount less amounts related to accrued device revenue and also less other service income. Total revenue arising from telecommunications services comprises of service revenue, sale of device revenue and other service income.

Dividend income from investments in securities is recognised when the Group’s right to receive payment is established.

Interest income is recognised on a time proportion basis using the effective interest method.

(aa) Rounding of amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest million Euro unless otherwise stated.

36 Changes in significant accounting policies

(a) In the current year, the Group has adopted all of the new and revised standards, amendments and interpretations issued by the IASB that are relevant to the Group's operations and mandatory for annual periods beginning 1 January 2020. In addition, the Group has early adopted COVID-19-Related Rent Concessions (Amendment to IFRS 16) ahead of its effective date. The effect of the adoption of these new and revised standards, amendments and interpretations was not material to the Group's results of operations or financial position. The following include certain updates to the policies. Other than the adoption of these new and revised standards, amendments and interpretations, the accounting policies and methods of computation used in the preparation of the Annual Financial Statements are consistent with those used in the consolidated financial statements of the Group as at and for the year ended 31 December 2019.

(i) Revised Conceptual Framework for Financial Reporting

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. It is mandatory and applies prospectively for the Group's financial statements for annual periods beginning on or after 1 January 2020.

(ii) Amendments to IFRS 3: Definition of a Business

The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, the amendments clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations. The amendments are mandatory for the Group's financial statements for, and apply to businesses acquired in, annual periods beginning on or after 1 January 2020.

(iii) Amendments to IAS 1 and IAS 8: Definition of Material

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group. The amendments are mandatory and apply prospectively for the Group's financial statements for annual periods beginning on or after 1 January 2020.

(iv) Amendment to IFRS 16: COVID-19-Related Rent Concessions

The amendment permits lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. The amendment does not affect lessors. The Group has early adopted Amendment to IFRS 16: COVID-19-Related Rent Concessions ahead of its effective date and applied the practical expedient to all its COVID-19-related rent concessions from 1 January 2020. This amendment had no significant impact on the consolidated financial statements of the Group.

(v) Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform

Benchmark interest rates such as the London Interbank Offered Rate ("LIBOR") are a core component of global financial markets. Retail and commercial loans, corporate debt, derivatives markets and many other financial markets, and bilateral contracts, all rely on these benchmark interest rates for pricing contracts and for hedging interest rate and other risks. However, reform works are underway in multiple jurisdictions to transition from benchmark interest rates to alternative risk free rates. Regulatory authorities and public and private sector working groups in several jurisdictions, including the International Swaps and Derivatives Association ("ISDA"), have been discussing alternative benchmark rates to replace the interbank offered rates ("IBORs"). These reforms are expected to cause at least some interest rate benchmarks to perform differently to the way that they do currently or to disappear. As a result, there is uncertainty as to when and how replacement may occur with respect to the relevant hedged item and hedging instrument and such uncertainty may impact the hedging relationship. These amendments had no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships. The amendments are mandatory and apply for the Group's financial statements for annual periods beginning on or after 1 January 2020.

36 Changes in significant accounting policies (continued)

(b) Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted. With the exception of Amendment to IFRS 16: COVID-19-Related Rent Concessions, i.e. item (iv) above, the Group has not early adopted the forthcoming new or amended standards in preparing the Annual Financial Statements. The adoption of these amendments is not expected to have material impacts to the Group's financial statements. These amendments are effective for annual periods beginning after 1 January 2020 and include:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform - Phase 2 provide practical expedients to address issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate.

- Amendments to IAS 1 Presentation of Financial Statements clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability; clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

- A package of narrow scope amendments to three standards as well as the Annual Improvements:
  - Amendments to IFRS 3 Business Combinations update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
  - Amendments to IAS 16 Property, Plant and Equipment prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
  - Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets specify which costs a company includes when assessing whether a contract will be loss-making.
  - Annual Improvements make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases.

The Group is continuing to assess the implications of the adoption of these new standards and amendments to standards. Based on information currently available to the Group the application of these standards in the future would not be expected to have a material impact on the financial position and / or financial performance of the Group.

37 Significant accounting judgements, estimates and assumptions

In applying the Group's accounting policies, which are described in note 35, the directors are required to make judgements that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant and reasonable. Although our current estimates contemplate current and, as applicable, expected future conditions, it is reasonably possible that actual conditions could differ from our expectations. Uncertainty about these judgements, estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected and the amount and timing of results of operations, cash flows and disclosures in future periods.

(a) Significant judgements in applying the Group's accounting policies

The following are the significant judgements, apart from those involving estimations (which are presented separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

(i) Basis of consolidation and classification of investee entities

The determination of the Group's level of control over another entity will require exercise of judgement under certain circumstances. The Company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group also considers, in particular, whether it obtains benefits, including non-financial benefits, from its power to control the entity. As such, the classification of the entity as a subsidiary, a joint venture, a joint operation, an associate or a cost investment might require the application of judgement through the analysis of various indicators, such as the percentage of ownership interest held in the entity, the representation on the entity's board of directors and various other factors including, if relevant, the existence of agreement with other shareholders, applicable statutes and regulations and their requirements, the practical ability to exercise control.

(ii) Allocation of revenue for bundled telecommunications transactions with customers

The Group has bundled transactions under contract with customers including sales of both services and hardware (for example handsets). Revenue is allocated to the respective element in an amount that reflects the consideration to which the Group expects to be entitled in exchange for the services and device. Device revenue is recognised at the inception of the contract upon delivery to the customer and services revenue is recognised throughout the contract period as the services are provided. Significant judgement is required in assessing fair values of both of these elements by considering inter alia, standalone selling price, the consideration to which the Group expects to be entitled in exchange for transferring the services and hardware to the customer, and other relevant observable market data. Changes in the allocation may cause the revenue recognised for sales of services and hardware to change individually but not the total bundled revenue from a specific customer throughout its contract term. The Group periodically re-assesses the allocation of the elements as a result of changes in market conditions.

(iii) Determination of lease term

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

37 Significant accounting judgements, estimates and assumptions (continued)

(a) Significant judgements in applying the Group's accounting policies (continued)

(iv) Business combinations

As disclosed in note 35(y) to the Annual Financial Statements, the Group applies the provisions of IFRS 3 to transactions and other events that meet the definition of a business combination within the scope of IFRS 3. When the Group completes a business combination, the identifiable assets acquired and the liabilities assumed, including intangible assets, contingent liabilities and commitments, are recognised at their fair value. Judgement is required to determine the fair values of the assets acquired, the liabilities assumed, the date of acquisition, and the purchase consideration, and on the allocation of the purchase consideration to the identifiable assets and liabilities. If the purchase consideration exceeds the fair value of the net assets acquired then the incremental amount paid is recognised as goodwill. If the purchase price consideration is lower than the fair value of the net assets acquired then the difference is recorded as a gain in the income statement. Allocation of the purchase consideration between finite lived assets and indefinite lived assets such as goodwill affects the subsequent results of the Group as finite lived intangible assets are amortised, whereas indefinite lived intangible assets, including goodwill, are not amortised.

(b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

The Group based its estimates and assumptions on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Revisions to accounting estimates and assumptions are recognised prospectively and could impact fair value and carrying amounts of assets and liabilities, amount and timing of results of operations and cash flows in future periods.

(i) Impairment of goodwill and long-lived assets

Goodwill and assets with indefinite useful lives (telecommunication licences and brand names) are tested for impairment annually and when there is indication that they may be impaired. Assets that are subject to depreciation and amortisation are reviewed for impairment to determine whether there is any indication that the carrying value of these assets may not be recoverable and have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

In assessing whether these assets have suffered any impairment, the carrying value of the respective business unit is compared with its recoverable amount, which is the higher of the fair value less costs of disposal and value in use. Fair value is derived, when available and appropriate, by making reference to performance metrics (such as revenue, EBITDA, earnings) and valuation multiples (such as EV/S, EV/EBITDA, P/E) of completed transactions of comparable businesses or comparable public companies, or by making reference to traded prices and with consideration for possible premiums, or is measured using discount cash flow projections (Level 3 of the IFRS 13 fair value hierarchy). The selection of comparable companies requires management judgment and is based on a number of factors, including comparable companies' location, sizes, growth rates, industries, and development stages. In determining the value in use of the investment, discounted cash flow method will be used. The cash flows used in the financial projections (discounted cash flow method) are based on the latest approved financial budgets for the next five years. The Group prepared the financial budgets reflecting current and prior year performances and experience, market development expectations, including the expected market share and growth momentum, and where available and appropriate, observable market data. There are a number of assumptions and estimates involved for the preparation of the budget, the cash flow projections for the period covered by the approved budget and the estimated terminal value at the end of the budget period. Key assumptions, where applicable, include the respective business unit's projected revenue, costs, gross margin, inventory level, working capital and capital investments, as well as the discount rate and long term growth rate applied, and the estimated terminal value assumptions. It is reasonably possible that the judgments and estimates described above could change in future periods. Changes to the judgements and estimates can significantly affect the carrying amount of the investment in future periods.

37 Significant accounting judgements, estimates and assumptions (continued)

(b) Key sources of estimation uncertainty (continued)

(ii) Pension costs and estimation of defined benefit pension obligation

The Group operates several defined benefit plans. Pension costs for defined benefit plans are assessed using the projected unit credit method in accordance with IAS 19, "Employee Benefits". Under this method, the cost of providing pensions is charged to the income statement so as to spread the regular cost over the future service lives of employees in accordance with the advice of the actuaries who carry out a full valuation of the plans. The liability or asset recognised in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of the plan assets. The present value of the defined benefit obligation is measured by discounting the estimated future cash outflows using interest rates determined by reference to market yields at the end of the reporting period based on government agency or high quality corporate bonds with currency and term similar to the estimated term of benefit obligations. Remeasurements arising from defined benefit plans are recognised in other comprehensive income in the period in which they occur and reflected immediately in retained profit. Remeasurements comprise actuarial gains and losses, the return on plan assets (excluding amounts included in net interest on the net defined benefit liability (asset)) and any change in the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability (asset)).

Management appoints actuaries to carry out full valuations of these pension plans to determine the pension obligations that are required to be disclosed and accounted for in the financial statements in accordance with the IFRS requirements.

The actuaries use assumptions and estimates in determining the fair value of the defined benefit plans and evaluate and update these assumptions on an annual basis. Judgement is required to determine the principal actuarial assumptions to determine the present value of defined benefit obligations and service costs. Changes to the principal actuarial assumptions can significantly affect the present value of plan obligations and service costs in future periods.

(iii) Provisions for commitments, onerous contracts and other guarantees

The Group has entered into a number of procurement, supply and other contracts related to specific assets in the ordinary course of its business. Where the unavoidable costs of meeting the obligations under these procurement and supply contracts exceed the associated, expected future net benefits, an onerous contract provision is recognised. The calculation of these provisions will involve the use of estimates and assumptions. These onerous provisions are calculated by taking the unavoidable costs that will be incurred under the contract and deducting any estimate revenues or predicted income to be derived from the assets, or by taking the unavoidable costs that will be incurred under the guarantee and deducting any estimated recoverable value.

(iv) Provision for income tax and recognition of deferred tax asset

The Group is subject to income taxes in numerous jurisdictions. Significant judgement and estimate are 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 matters is different from the amounts that were previously recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. Deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which the deductible temporary differences and the carry forward of unused tax losses and tax credits can be utilised, based on all available evidence. Recognition primarily involves judgement regarding the future financial performance of the particular legal entity or tax group. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred tax assets will ultimately be realised, such as the existence of taxable temporary differences, group relief, tax planning strategies and the periods in which estimated tax losses can be utilised.

The ultimate realisation of deferred tax assets recognised for certain of the Group's businesses depends principally on these businesses maintaining profitability and generating sufficient taxable profits to utilise the underlying unused tax losses. It may be necessary for some or all of the deferred tax assets recognised to be reduced and charged to the income statement if there is a significant adverse change in the projected performance and resulting projected taxable profits of these businesses. Judgement is required to determine key assumptions adopted in the taxable profit and loss projections and changes to key assumptions used and estimates made can significantly affect these taxable profit and loss projections.

37 Significant accounting judgements, estimates and assumptions (continued)

(b) Key sources of estimation uncertainty (continued)

(v) Estimation of useful life: Fixed assets

Depreciation of operating assets constitutes a substantial operating cost for the Group. The cost of fixed assets is charged as depreciation expense over the estimated useful lives of the respective assets using the straight-line method. The Group periodically reviews changes in technology and industry conditions, asset retirement activity and residual values to determine adjustments to estimated remaining useful lives and depreciation rates. Actual economic lives may differ from estimated useful lives. Periodic reviews could result in a change in depreciable lives and therefore depreciation expense in future periods.

(vi) Estimation of useful life: Telecommunications licences, other licences, brand names, trademarks and other rights

Telecommunications licences, other licences, brand names, trademarks and other rights with a finite useful life are carried at cost less accumulated amortisation and are reviewed for impairment annually. Telecommunications licences, other licences, brand names, trademarks and other rights that are considered to have an indefinite useful life are not amortised and are tested for impairment annually and when there is indication that they may be impaired. Certain brand names related to Retail and Telecommunications are considered to have an indefinite useful life as there is no foreseeable limit to the period over which they are expected to generate net cash inflows.

Judgement is required to estimate the useful lives of the telecommunications licences, other licences, brand names, trademarks and other rights. The actual economic lives of these assets may differ from the current contracted or expected usage periods, which could impact the amount of amortisation expense charged to the income statement. In addition, governments from time to time revise the terms of licences to change, amongst other terms, the contracted or expected licence period, which could also impact the amount of amortisation expense charged to the income statement.

(vii) Estimation of the amortisation period: Customer acquisition and retention costs

In accordance with IFRS 15, customer acquisition and retention costs, which comprise the net costs to acquire and retain customers, are expensed and recognised in the income statement in the period in which they are incurred, where (i) the costs are incurred; (ii) the costs are incremental of obtaining a contract and they are expected to be recovered; and (iii) the costs relate directly to the contract, generate resources used in satisfying the contract and are expected to be recovered, then they are capitalised and amortised over the customer contract period. Appropriate allowances are recognised if the carrying amounts of the capitalised costs exceed the remaining amount that the Group expects to receive less any directly related costs that have not been recognised as expenses.

Judgement is required to determine the amount of the provision and the amortisation period. The actual amount to be received from the customer and customer period may differ from the expected amount and the contract periods, which could impact the amount of expense charged to the income statement.

38 Financial risk management

The Group's major financial assets and financial liabilities include cash and cash equivalents and borrowings. Details of these financial assets and financial liabilities are disclosed in the respective notes. The Group's treasury function sets financial risk management policies in accordance with policies and procedures of the CKHH Group, and which are also subject to periodic review by the CKHH Group's internal audit function.
The Group's treasury policies are designed to mitigate the impact of fluctuations in interest rates and exchange rates on the Group's overall financial position and to minimise the Group's financial risks. The Group's treasury function operates as a centralised service for managing financial risks, including interest rate and foreign exchange risks, and for providing cost-efficient funding to the Group and its companies. It manages the majority of the Group's funding needs, interest rate, foreign currency and credit risk exposures. It is the Group's policy not to have credit rating triggers that would accelerate the maturity dates of the Group's borrowings. The Group uses interest rate and foreign currency swaps as appropriate for risk management purposes only, for hedging transactions and for managing the Group's exposure to interest rate and foreign exchange rate fluctuations. The Group generally does not enter into foreign currency hedges in respect of its foreign currency earnings and no derivatives instruments to hedge the Group's earnings were entered during the year or remain outstanding at the end of the year. It is the Group's policy not to enter into derivative transactions for speculative purposes. It is also the Group's policy not to invest liquidity in financial products, including hedge funds or similar vehicles, that have significant underlying leverage or derivative exposure.

(a) Cash management and funding

The Group operates a central cash management system for all of its unlisted subsidiaries. Except for listed and certain overseas entities conducting businesses in non-Euro currencies, the Group generally obtains long-term financing at the Group level to on-lend or contribute as equity to its subsidiaries to meet their funding requirements and provide more cost-efficient financing. These borrowings include a range of capital market issues and bank borrowings, for which the proportions will change depending upon financial market conditions and projected interest rates. The Group regularly and closely monitors its overall debt position and reviews its funding costs and maturity profile to facilitate refinancing.

The Group continues to maintain a robust financial position. Cash and cash equivalents amounted to EUR3,752 million at 31 December 2020 (2019: EUR2,376 million), mainly reflecting proceeds received from tower sales, cash arising from positive funds from operations from the Group's businesses, and cash from new borrowings, partly offset by the dividend payments to CKHH group entities and non-controlling shareholders, repayment and early repayment of certain borrowings and capital expenditure and investment spending.

(b) Interest rate exposure

The Group manages its interest rate exposure with a focus on reducing the Group's overall cost of debt and exposure to changes in interest rates. When considered appropriate, the Group uses derivatives such as interest rate swaps to manage its interest rate exposure. The Group's main interest rate exposure relates to British Pound, Euro and Swedish Krona borrowings.

At 31 December 2020, approximately 43% (2019: approximately 48%) of the Group's total principal amount of bank and other debts were at floating rates and the remaining 57% (2019: approximately 52%) were at fixed rates. At 31 December 2020 and 2019, the Group has not entered into any interest rate agreements with major financial institution counterparties to swap principal amount of floating interest rate borrowings to effectively become fixed interest rate borrowings.

38 Financial risk management (continued)

(c) Foreign currency exposure

For overseas subsidiaries, which consist of non-Euro assets, the Group generally endeavours to establish a natural hedge for debt financing with an appropriate level of borrowings in those same currencies. For overseas businesses that are in the development phase, or where borrowings in local currency are not or are no longer attractive, the Group may not borrow in the local currency or may repay existing borrowings and monitor the development of the businesses' cash flow and the relevant debt markets with a view to refinance these businesses with local currency borrowings in the future when conditions are more appropriate.

The Group has operations in about 8 jurisdictions and the respective operation conducts businesses mainly in local currencies (including Euro, British Pounds and Hong Kong dollars) and US dollars. The currency for group reporting and presentation purposes is Euro and the Group's reported results in Euro are exposed to exchange translation on its foreign currency earnings.

As at 31 December 2020, the Group's total principal amount of bank and other debts are denominated as follows: 83% in Euro, 10% in British Pounds and 7% in Swedish Krona (2019: 85% in Euro, 9% in British Pounds and 6% in Swedish Krona). At 31 December 2020 and 2019, the Group had no currency swap arrangements with banks.

(d) Credit exposure

The Group's holdings of cash, interest rate and foreign currency swaps with financial institutions expose the Group to credit risk of counterparties. The Group controls its credit risk to non-performance by its counterparties through monitoring their equity share price movements and credit ratings as well as setting approved counterparty credit limits that are regularly reviewed.

The Group is also exposed to counterparties credit risk from its operating activities. Such risks are continuously monitored by the local operational management.

(e) Market risks sensitivity analyses

For the presentation of financial assets and financial liabilities market risks (including interest rate risk and currency risk) information, IFRS 7 "Financial Instruments: Disclosures" requires disclosure of a sensitivity analysis for each type of financial market risk that shows the effects of a hypothetical change in the relevant market risk variable to which the Group is exposed at the end of the reporting period on profit for the year and on total equity.

The effect that is disclosed in the following sections assumes that (a) a hypothetical change of the relevant risk variable had occurred at the end of the reporting period and had been applied to the relevant risk variable in existence on that date; and (b) the sensitivity analysis for each type of financial market risk does not reflect inter-dependencies between risk variables, e.g. the interest rate sensitivity analysis does not take into account of the impact of changes in interest rates would have on the relative strengthening and weakening of the currency with other currencies.

The preparation and presentation of the sensitivity analysis on financial market risk is solely for compliance with IFRS 7 disclosure requirements in respect of financial assets and financial liabilities. The sensitivity analysis measures changes in the fair value and / or cash flows of the Group's financial assets and financial liabilities from hypothetical instantaneous changes in one risk variable (e.g. functional currency rate or interest rate), the amount so generated from the sensitivity analysis are "what-if" forward-looking estimates. The sensitivity analyses are for illustration purposes only and it should be noted that in practice market rates rarely change in isolation. Actual results in the future may differ materially from the sensitivity analyses due to developments in the global markets which may cause fluctuations in market rates (e.g. exchange or interest rate) to vary and therefore it is important to note that the hypothetical amounts so generated do not represent a projection of likely future events and profits or losses.

38 Financial risk management (continued)

(e) Market risks sensitivity analyses (continued)

(i) Interest rate sensitivity analysis

Interest rate risk as defined by IFRS 7 arises on interest-bearing financial assets and financial liabilities.

The interest rate sensitivity analysis is based on the following assumptions:

In the cases of non-derivative financial assets and financial liabilities with fixed interest rates, changes in market interest rates only affect profit for the year or total equity if these financial assets and financial liabilities are measured at fair value. Accordingly, all non-derivative financial assets and financial liabilities with fixed interest rates that are carried at amortised cost are excluded from the interest rate sensitivity analysis as they are not subject to interest rate risk as defined in IFRS 7.

In the cases of derivative financial assets and financial liabilities designated as hedging instruments for hedging interest rate risks, changes in market interest rates affect their fair values. All interest rate hedges are expected to be highly effective. Changes in the fair value of fair value interest rate hedges and changes in the fair value of the hedged items that are attributable to interest rate movements effectively balance out with each other in income statement in the same period. Accordingly, these hedging instruments and hedged items are excluded from the interest rate sensitivity analysis as they are not exposed to interest rate risk as defined in IFRS 7. Changes in the fair value of cash flow interest rate hedges resulting from market interest rate movements affect total equity and are therefore taken into consideration in the sensitivity analysis.

In the cases of derivative financial assets and financial liabilities that are not part of an interest rate risk hedging relationship, changes in their fair values (arising from gain or loss from remeasurement of these interest rate derivatives to fair value) resulting from market interest rate movements affect profit for the year and total equity, and are therefore taken into consideration in the sensitivity analysis.

Major financial assets and financial liabilities for the purpose of the interest rate sensitivity analysis include:

- cash and cash equivalents (see note 17)
- some of the bank and other debts (see note 20) that bear interest at floating rate

Under these assumptions, the impact of a hypothetical 100 basis points (2019: 100 basis points) increase in market interest rate at 31 December 2020, with all other variables held constant:

- profit for the year would decrease by EUR2 million due to increase in interest expenses (2019: increase by EUR9 million mainly due to increase in interest income);
- total equity would decrease by EUR2 million due to increase in interest expenses (2019: increase by EUR9 million mainly due to increase in interest income).

(ii) Foreign currency exchange rate sensitivity analysis

Currency risk as defined by IFRS 7 arises on financial assets and financial liabilities being denominated in a currency that is not the functional currency and being of a monetary nature. Therefore, non-monetary financial assets and financial liabilities, monetary financial assets and financial liabilities denominated in the entity's functional currency and differences resulting from the translation of financial statements of overseas subsidiaries into the Group's presentation currency are not taken into consideration for the purpose of the sensitivity analysis for currency risk.

The foreign currency exchange rate sensitivity analysis is based on the following assumptions:

Major non-derivative monetary financial assets and financial liabilities are either directly denominated in the functional currency or are transferred to the functional currency through the use of foreign currency swaps. Exchange fluctuations of these monetary financial assets and financial liabilities therefore have no material effects on profit for the year and total equity.

In the cases of derivative financial assets and financial liabilities designated as hedging instruments for hedging currency risks, changes in foreign exchange rates affect their fair values. All currency hedges are expected to be highly effective. Changes in the fair value of foreign currency fair value hedges and changes in the fair value of the hedged items effectively balance out with each other in income statement in the same period. As a consequence, these hedging instruments and hedged items are excluded from the foreign currency exchange rate sensitivity analysis as they are not exposed to currency risk as defined in IFRS 7. Changes in the fair value of foreign currency cash flow hedges resulting from market exchange rate movements affect total equity and are therefore taken into consideration in the sensitivity analysis.

38 Financial risk management (continued)

(e) Market risks sensitivity analyses (continued)

(ii) Foreign currency exchange rate sensitivity analysis (continued)

Major financial assets and financial liabilities for the purpose of the foreign currency exchange rate sensitivity analysis include:

- some of the cash and cash equivalents (see note 17)
- some of the bank and other debts (see note 20)

Under these assumptions, the impact of a hypothetical 5% weakening of Euro against all exchange rates at the end of the reporting period, with all other variables held constant, on the Group's profit for the year and total equity is set out in the table below.

	2020		2019	
	Hypothetical increase (decrease) in profit after tax EUR million	**Hypothetical increase (decrease) in total equity EUR million**	Hypothetical increase (decrease) in profit after tax EUR million	Hypothetical increase (decrease) in total equity EUR million
British Pounds	**49**	**49**	9	9
US dollars	**53**	**53**	15	15

(f) Contractual maturities of financial liabilities

The following tables detail the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted principal cash flows and the earliest date the Group can be required to pay:

Non-derivative financial liabilities:

	Contractual maturities					
	Within 1 year EUR million	**After 1 year, but within 5 years EUR million**	**After 5 years EUR million**	**Total undiscounted cash flows EUR million**	**Difference from carrying amounts EUR million**	**Carrying amounts EUR million**
At 31 December 2020						
Trade payables	**1,103**	**-**	**-**	**1,103**	**-**	**1,103**
Other payables and accruals	**2,854**	**-**	**-**	**2,854**	**-**	**2,854**
Amounts due to joint ventures	**3**	**-**	**-**	**3**	**-**	**3**
Lease liabilities	**707**	**1,594**	**792**	**3,093**	**(412)**	**2,681**
Bank loans	**-**	**3,854**	**-**	**3,854**	**(9)**	**3,845**
Notes and bonds	**-**	**1,500**	**3,634**	**5,134**	**(37)**	**5,097**
Obligations for telecommunications licences and other rights	**90**	**534**	**80**	**704**	**(19)**	**685**
	4,757	**7,482**	**4,506**	**16,745**	**(477)**	**16,268**

The table above excludes interest accruing and payable on certain of these liabilities which are estimated to be EUR87 million in "within 1 year" maturity band, EUR246 million in "after 1 year, but within 5 years" maturity band, and EUR195 million in "after 5 years" maturity band. These estimates are calculated assuming effect of hedging transactions and interest rates with respect to variable rate financial liabilities remain constant and there is no change in aggregate principal amount of financial liabilities other than repayment at scheduled maturity as reflected in the table.

38 Financial risk management (continued)

(f) Contractual maturities of financial liabilities (continued)

Non-derivative financial liabilities:

	Contractual maturities					
	Within 1 year EUR million	After 1 year, but within 5 years EUR million	After 5 years EUR million	Total undiscounted cash flows EUR million	Difference from carrying amounts EUR million	Carrying amounts EUR million
At 31 December 2019						
Trade payables	1,414	-	-	1,414	-	1,414
Other payables and accruals	2,465	-	-	2,465	-	2,465
Amounts due to CKHH group entities	19	-	-	19	-	19
Lease liabilities	816	1,841	1,084	3,741	(536)	3,205
Bank loans	-	4,784	-	4,784	(17)	4,767
Notes and bonds	-	1,500	3,688	5,188	(44)	5,144
Obligations for telecommunications licences and other rights	111	644	105	860	(50)	810
	4,825	8,769	4,877	18,471	(647)	17,824

The table above excludes interest accruing and payable on certain of these liabilities which are estimated to be EUR95 million in “within 1 year” maturity band, EUR317 million in “after 1 year, but within 5 years” maturity band, and EUR170 million in “after 5 years” maturity band. These estimates are calculated assuming effect of hedging transactions and interest rates with respect to variable rate financial liabilities remain constant and there is no change in aggregate principal amount of financial liabilities other than repayment at scheduled maturity as reflected in the table.

Derivative financial liabilities:

	Contractual maturities			
	Within 1 year EUR million	After 1 year, but within 5 years EUR million	After 5 years EUR million	Total undiscounted cash flows EUR million
At 31 December 2019				
Cash flow hedges				
Other contracts				
Net outflow	(5)	-	-	(5)

(g) In accordance with the disclosure requirement of IFRS 7, the Group’s financial instruments resulted in the following income, expenses and gains and losses recognised in the income statement:

	2020 EUR million	2019 EUR million
Interest from assets held at amortised cost	**15**	26
Net impairment expense recognised on trade receivables	**(162)**	(178)

38 Financial risk management (continued)

(h) Carrying amounts and fair values of financial assets and financial liabilities

The fair values of financial assets and financial liabilities, together with the carrying amounts in the consolidated statement of financial position, are as follows:

	Note	Classification under IFRS 9 *	**2020** Carrying amounts EUR million	**2020** Fair values EUR million	2019 Carrying amounts EUR million	2019 Fair values EUR million
Financial assets						
Unlisted investments						
Unlisted equity securities	16	FVOCI	**2**	**2**	2	2
Derivative financial instruments						
Cash flow hedges - Other contracts	16 & 18	Fair value - hedges	**6**	**6**	-	-
Lease receivables	16	Amortised cost	**25**	**25**	28	28
Cash and cash equivalents	17	Amortised cost	**3,752**	**3,752**	2,376	2,376
Trade receivables	18	Amortised cost	**1,137**	**1,137**	1,265	1,265
Other receivables	18	Amortised cost	**336**	**336**	467	467
Amounts due from joint ventures	14	Amortised cost	**43**	**43**	50	50
Amounts due from CKHH group entities	18	Amortised cost	**7**	**7**	-	-
			5,308	**5,308**	4,188	4,188
Financial liabilities						
Bank and other debts [(i)]	20	Amortised cost	**8,942**	**9,206**	9,911	9,931
Trade payables	21	Amortised cost	**1,103**	**1,103**	1,414	1,414
Derivative financial instruments						
Cash flow hedges - Other contracts	21	Fair value - hedges	**-**	**-**	6	6
Other payables and accruals		Amortised cost	**2,854**	**2,854**	2,465	2,465
Lease liabilities	10	Amortised cost	**2,681**	**2,681**	3,205	3,205
Obligations for telecommunications licences and other rights		Amortised cost	**685**	**685**	810	810
Amounts due to joint ventures	14	Amortised cost	**3**	**3**	-	-
Amounts due to CKHH group entities	21	Amortised cost	**-**	**-**	19	19
			16,268	**16,532**	17,830	17,850
Representing:						
Financial assets measured at						
Amortised cost			**5,300**	**5,300**	4,186	4,186
FVOCI			**2**	**2**	2	2
Fair value - hedges			**6**	**6**	-	-
			5,308	**5,308**	4,188	4,188
Financial liabilities measured at						
Amortised cost			**16,268**	**16,532**	17,824	17,844
Fair value - hedges			**-**	**-**	6	6
			16,268	**16,532**	17,830	17,850

* see note 35(l).

(i) The fair values of the bank and other debts are based on market quotes or estimated using discounted cash flow calculations based upon the Group's current incremental borrowing rates for similar types of borrowings with maturities consistent with those remaining for the debt being valued.

38 Financial risk management (continued)

(i) Fair value measurements

(i) Financial assets and financial liabilities measured at fair value

Fair value hierarchy

The table below analyses recurring fair value measurements for financial assets and financial liabilities. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined as follows:

Level 1:	Quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2:	Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3:	Inputs for the assets or liabilities that are not based on observable market data (i.e. unobservable inputs).

		2020				2019			
		Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
	Note	**EUR million**	**EUR million**	**EUR million**	**EUR million**	EUR million	EUR million	EUR million	EUR million
Financial assets									
Unlisted investments									
Unlisted equity securities	16	**-**	**-**	**2**	**2**	-	-	2	2
Derivative financial instruments									
Cash flow hedges - Other contracts	16 & 18	**-**	**6**	**-**	**6**	-	-	-	-
		-	**6**	**2**	**8**	-	-	2	2
Financial liabilities									
Derivative financial instruments									
Cash flow hedges - Other contracts	21	**-**	**-**	**-**	**-**	-	6	-	6

The fair value of financial assets and financial liabilities that are not traded in active market is determined by using valuation techniques. Specific valuation techniques used to value financial assets and financial liabilities include discounted cash flow analysis, are used to determine fair value for the financial assets and financial liabilities.

During the years ended 31 December 2020 and 2019, there were no transfers between the Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 from or to Level 1 or Level 2 fair value measurements.

38 Financial risk management (continued)

(i) Fair value measurements (continued)

(i) Financial assets and financial liabilities measured at fair value (continued)

Level 3 fair values

During the years ended 31 December 2020 and 2019, there were no movements of the balance of financial assets and financial liabilities measured at fair value based on Level 3.

The fair value of financial assets and financial liabilities that are grouped under Level 3 is determined by using valuation techniques including discounted cash flow analysis. In determining fair value, specific valuation techniques are used with reference to inputs such as dividend stream and other specific input relevant to those particular financial assets and financial liabilities.

Changing unobservable inputs used in Level 3 valuation to reasonable alternative assumptions would not have significant impact on the Group's profit or loss.

(ii) Financial assets and financial liabilities that are not measured at fair value but fair value disclosures are required

Except for bank and other debts as detailed in the table 38(h) above, the carrying amounts of the financial assets and financial liabilities recognised in the consolidated statement of financial position approximate their fair values.

Fair value hierarchy

The table below analyses the fair value measurements disclosures for bank and other debts. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used.

	Level 1 EUR million	Level 2 EUR million	Level 3 EUR million	Total EUR million
At 31 December 2020				
Bank and other debts	**5,361**	**3,845**	**-**	**9,206**
At 31 December 2019				
Bank and other debts	5,164	4,767	-	9,931

The fair value of the bank and other debts included in level 2 category above are estimated using discounted cash flow calculations based upon the Group's current incremental borrowing rates for similar types of borrowings with maturities consistent with those remaining for the debt being valued.

39 Subsequent events

Saved as disclosed elsewhere in the Annual Financial Statements, no event occurring up to the date of approval of the Annual Financial Statements has been identified that may require material adjustment of, or disclosure in, these financial statements.

Principal Subsidiary Companies
at 31 December 2020

Subsidiary companies	Place of incorporation / principal place of operations	Nominal value of issued ordinary share capital **/ registered capital		Percentage of equity attributable to the Group	Principal activities
Hi3G Access AB	Sweden	SEK	10,000,000	60	Mobile telecommunications services
Hi3G Denmark ApS	Denmark	DKK	64,375,000	60	Mobile telecommunications services
Hutchison 3G UK Limited	United Kingdom	GBP	201	100	Mobile telecommunications services
Hutchison Drei Austria GmbH	Austria	EUR	34,882,960	100	Mobile telecommunications services
* Hutchison Telecommunications Hong Kong Holdings Limited	Cayman Islands / Hong Kong	HKD	1,204,774,052	66	Holding company of mobile telecommunications services
Hutchison Telephone Company Limited	Hong Kong	HKD	2,730,684,340	66	Mobile telecommunications services
Three Ireland (Hutchison) Limited	Ireland	EUR	780,000,002	100	Mobile telecommunications services
Wind Tre S.p.A.	Italy	EUR	474,303,795	100	Mobile telecommunications services

The above table lists the principal subsidiary companies of the Group which, in the opinion of the directors, principally affect the results and net assets of the Group. To give full details of subsidiary companies would, in the opinion of the directors, result in particulars of excessive length.

Unless otherwise stated, the principal place of operation of each company is the same as its place of incorporation.

The interests in the above subsidiary companies are held indirectly.

* Company listed on The Stock Exchange of Hong Kong Limited.

** For Hong Kong incorporated companies, this represents issued ordinary share capital.