



PPF GROUP N.V.

Annual accounts 2008

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Board of Directors report

Description of the Company

PPF Group N.V.

Date of inception: 29 December 1994

Seat: Netherlands, Strawinskylaan 933 Tower B Level 9, 1077XX Amsterdam

Identification number: 33264887

Basic share capital: 667 380 EUR

Principal business: Holding company activities and financing thereof

General information

PPF Group N.V. (“the Parent Company”) is a holding company of investment group (“the Group”) focusing on different types of businesses. The core business remains consumer finance business, other significant areas are corporate banking, real estate or insurance business in which the Group operates through its subsidiaries or associates.

In 2008 the Group carried out many significant transactions that changed the Group structure and spread of its activities.

The most significant event of the year was partnership with Italian insurance group Generali. On 17 January 2008 PPF Group N.V. and Generali signed the closing certificate which confirmed fulfilment of parties’ undertakings arising from the agreement. The whole of CZI Holdings Group and selected CEE investments from Assicurazioni Generali SpA were contributed to Generali PPF Holding B.V. and finally as of that date Generali PPF Holding B.V. became an associate of PPF Group N.V. (49%) and a subsidiary of Assicurazioni Generali SpA (51%). Since that moment PPF Group N.V. ceased to control its former insurance business as exchange of getting a significant influence in newly established insurance holding.

After several years of fast geographical growth, Home Credit Group did not expand into new territories in 2008 and focused on growth and consolidation of its participations within the existing countries of operation. In the last quarter of 2008, as a response to the worldwide financial crisis, Home Credit Group launched a wide ranging cost management programme – reduced staffing levels, negotiated with retailers over the level of commissions, and have increased yields on majority of loan products. Further on Home Credit Group shortened loan’s duration and ceased potentially higher risk products such as car loans and mortgages – typically in Russia.

Since 2006 the Group in line with its business strategy has been building up the Asian structure of consumer finance business represented by CF Commercial Consulting Ltd. and HC Asia N.V. with its subsidiaries. This process heavily continued in 2007 and 2008, by establishing several guarantee companies (non-bank financial institutions providing guarantees to individuals) in different Chinese regions. The Group has a unique position in terms of early start vis-à-vis global competitors. The business itself launched in 2007 in cooperation with leading domestic financial institutions and reached leading position in consumer finance on local market. In September 2008 the Group launched its operations in another province – Tianjin and applies for specialized non-banking financial license for consumer finance in Tianjin.

In 2008 the Group acquired shares in two significant associates: Nomos-Bank and Polymetal. Significant influence is supported through participation of the Group nominees in statutory bodies however the Group does not participate in operational policies and management of the entities. The Group evaluates both acquisitions as interesting opportunity for further growth on Russian market.

The Group increased its share on Nomos-Bank, OJSC from 15.66% as at 31 December 2007 to 29.92%. Since 17 April 2008, the Group is considered exercising significant influence in Nomos-Bank, strong Russian banking house focused mainly on corporate clients.

In June 2008 the Group acquired a Cyprian entity Pearlmoon Ltd., which holds a 24,9% stake in Russian company Polymetal, one of the leading precious metals mining company, which produces gold and silver and is listed on London and Moscow stock exchange.

The last significant transaction finalized in December 2008 was acquisition of a real estate structure controlling several real estate project in the area of Central and Eastern Europe with portfolio value approx. MEUR 253.

Financial performance

Due to the transaction with Generali there is a significant change in the financial results. In 2007, the whole insurance segment was presented as held for sale in the consolidated balance sheet and the result from insurance was classified as discontinued operations. In 2008 the share on Generali PPF Holding is presented as the investment in associate in the consolidated balance sheet and as the share of earnings of associates in the consolidated income statement. Profit from the transaction amounted MEUR 2 697 and it significantly contributed to the consolidated result of the Group in 2008.

The transaction with Generali caused a significant decrease of the insurance segment's assets. Despite this fact, the total assets of the Group at the end of 2008 increased significantly in comparison with 2007. Increase of the assets corresponds with expansion of banking activities and acquisition of the real estate group.

At the end of 2008 the consolidated shareholders' equity of PPF Group N.V. amounted to MEUR 3 703 (31 December 2007: MEUR 1 426).

The consolidated profit for 2008 amounting to MEUR 2 491 is significantly influenced by the profit from the transaction with Generali of MEUR 2 697 which is recorded as profit from discontinued operations. Net loss from continued operations in 2008 amounted to MEUR 205, which is lower result of the company compared to profit from continued operations of MEUR 13 in 2007. This decrease was affected also by the global recession on the financial markets which stroke also Eastern European countries.

On 29 September 2005 the EU Financial Conglomerates directive was incorporated into the Czech legislation in a form of the Act on Financial Conglomerates. PPF Group was identified as a financial conglomerate based on the Czech Ministry of Finance decision from March 2006. By 30 September 2006, PPF Group had to comply with the supplementary prudential rules specified by the Act. As at 31 December 2008 PPF Group reported supplementary capital adequacy totalling MEUR 279 of capital surplus (31 December 2007: MEUR 436).

Staff development

Average number of employees during the year 2008 reached 23 thousand (2007: 22 thousand, excluding disposed CZI Holdings Group).

Financial instruments and risk management

The Group is exposed to various risks as a result of its activities: liquidity risk, market risks (interest rate risk, equity price risk, currency risk) and credit risk. Insurance risk is managed by new holding company Generali PPF Holding B.V. controlled by Generali Group, the Group is exposed to the risk reflecting his minority shareholding position.

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

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

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

The Group carries an inventory of capital market instruments to manage those risks. Positions are open in the money market, foreign exchange markets, debt and credit markets and equity markets based on expectations of future market conditions. As at 31 December 2008 the Group holds financial assets in amount of MEUR 5 330 (excl. assets relating to the associates), thereof financial assets at fair value through profit and loss MEUR 605, financial assets available for sale MEUR 164 and loans and receivables MEUR 4 561. As financial liabilities the Group holds particularly liabilities due to non-banks in amount of MEUR 1 456, liabilities due to banks of MEUR 3 193 and debt securities issued of MEUR 1 783.

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

As a result of recent negative development on financial markets credit environment in some of the countries the Group's operates in has deteriorated. The Group has taken adequate measures in its underwriting and collection policies in order to limit the negative impact of such market changes. Consequently, the impact of the negative credit development on the Group's financial position is insignificant.

For detailed information on the risk management see Section E of the financial statements.

Description of significant subsidiaries, associates and their development in 2008

Segment insurance

Generali PPF Holding B.V.

On 17 January 2008 the whole of CZI Holdings Group and selected CEE investments from Assicurazioni Generali SpA were contributed to Generali PPF Holding B.V. and finally as of that date Generali PPF Holding B.V. became an associate of PPF Group N.V. (49%) and a subsidiary of Assicurazioni Generali SpA (51%).

As at 31 December 2008 the total assets amounted MEUR 13 884 and total net loss for 2008 was MEUR (90). The loss was influenced mainly by the financial crisis which caused negative net trading result of MEUR (334).

Segment consumer finance

Home Credit B.V.

Home Credit B.V. is the direct owner of the companies providing consumer financing in the Central and Eastern Europe. Its principal activities are holding equity stakes in these companies that operate in individual countries and obtaining financing for these companies.

Home Credit in the Czech Republic

Throughout 2008, Home Credit a.s. improved its market share by further strengthening its leading position within consumer finance in the Czech Republic and has achieved the best business results to date, as well as record profits. Despite the unfavourable macroeconomic environment and the destabilisation of international financial markets, Home Credit a.s. managed to grow the majority of its product lines, achieving the best business and financial results ever. The volume of loans (gross amount) increased in 2008 by 19% to BCZK 13.9, total assets increased by 18% to BCZK 13.1 and net profit for the year 2008 increased by 35% and hit record level of MCZK 738.

Home Credit in Slovakia

Home Credit Slovakia, a.s. confirmed that it has a good potential for growth, both in the consumer finance market itself, as well as in terms of preparedness for all necessary changes, in particular in the areas of more effective utilization of the client portfolio, process optimizing, improved marketing communication, a richer and more varied product portfolio, and cost optimizing. Home Credit Slovakia belongs to leaders in the consumer finance market in Slovakia. In 2008 the volume of loans (gross amount) increased by 25% to MEUR 194. Particularly financing by credit cards developed dynamically: volume of credit card loans increased by 156%.

Home Credit in Russia

Home Credit & Finance Bank o.o.o. ("HCFB"), representing the largest assets of the Home Credit Group, continued to grow and expand in 2008. The 85% increase in net profit

to BRUB 3.7 achieved by the company in 2008 demonstrates that HCFB is moving in the right direction while maintaining its position as leader of the consumer finance market. In addition to growing the number of sales locations, HCFB remains the dominant provider of point of sales consumer loans as well as revolving credit cards in the Russian Federation. In 2008 HCFB launched ATM expansion.

In October 2008 HCFB launched the business optimisation programme as a response to unfavourable changes in the market. The key purpose of the programme is effective business and cost base optimization which entails the following economically driven measures: reconsideration of contractual terms with retail partners, staff cost optimisation, renegotiation of lease agreements and closure of less effective points-of-sale and offices. In accordance with the programme HCFB changed its lending policy by focusing on high-yield and short-term products and stopped offering mortgages and car loans products since October 2008.

Segment other banking

PPF banka a.s.

The principal focuses of PPF banka are financing for large and mid-size corporations, municipal finance, consulting, and investment services, with a focus on securities trading. The bank continues to provide high-quality client care throughout the service range.

In 2008, according to the audited IFRS financial figures, PPF banka posted record net earnings of MCZK 543 compared to MCZK 529 in 2007, which means 3% increase despite the turmoil on the international financial markets.

Its total assets figure increased by 63% to BCZK 45, compared to BCZK 27 as at 31 December 2007.

In addition to operations in the domestic government bond market and the Prague Stock Exchange, PPF banka engaged in trading on many international global and local debt and capital markets. The Bank continued to successfully lend to corporate clients. The Bank focused on medium and large companies with Czech capital.

Nomos-Bank

As at 31 December 2007 the Group held through its subsidiary Russia Finance Corporation B.V. 15,67% stake in Open Joint-Stock Company "Nomos-Bank". On 14 January 2008 Russia Finance Corporation B.V. acquired an additional 2.02% stake in Nomos-Bank via increase bank's share capital. On 17 April 2008 the new SPAs for purchase of an additional 12.24% stake have been signed and on 28 April 2008 (upon settlement of these SPAs) Russia Finance Corporation B.V. became shareholder with total 29.92% shareholding in Nomos-Bank. Total assets of Nomos-Bank as at 31 December 2008 were BRUB 278, net profit for 2008 (whole year) was BRUB 3.5.

Segment other

Polymetal

On 10 June 2008, the Parent Company signed SPA for the purchase of 99.9% issued capital of Cyprus entity Pearlmoon Ltd. (whole issued capital except one B share), which holds a 24.9% stake in Russian company Polymetal, one of the leading precious metals mining company, which produces gold and silver. Closing date of the transaction occurred on 11 June 2008.

The Group holds 24.9% stake and is considered exercising significant influence, hence the investment in Polymetal has been accounted for by using equity method of consolidation.

Total assets of Polymetal as at 31 December 2008 were MUSD 876, net loss for 2008 (whole year) was MUSD (16).

Real estate structure

On 1 September 2008 the Group acquired 100% in PPF Real Estate Ltd. This entity holds A shares (representing 100% voting rights) in PPF Property Limited, real estate fund investing into several real estate projects. On 28 December the Group acquired also B shares in PPF Property Limited transferring all economic benefits to the Group, so the Group controls this real estate structure from this date. Fair value of assets acquired is MEUR 393, fair value of liabilities and minority interest acquired is MEUR 283.

Future development

The number-one goal of PPF Group's activities is to generate returns on its investments in the most efficient manner possible. The investment strategy of PPF Group is based on two basic pillars: the first is expansion – constantly seeking out new investment opportunities in the markets and investing in promising companies. The second pillar is well-chosen acquisitions, through which the Group endeavours to maximize the strength and viability of its investments in existing markets.

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

The number of employees is expected to rise in compliance with the expansion of the Group. Because of the expansion of the Group activities the funding structure could change. The Group is currently analyzing the possibilities of external debt financing and already realized some transactions in the past.





PPF GROUP N.V.

Consolidated financial statements for the year ended 31 December 2008

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CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheet

As at 31 December

In millions of EUR

| | Note | 2008 | 2007 |
|---|------|---------------|---------------|
| ASSETS | | | |
| Cash and cash equivalents | F1 | 852 | 499 |
| Financial assets at fair value through profit or loss | F2.1 | 605 | 114 |
| Financial assets available-for-sale | F2.2 | 164 | 244 |
| Loans and receivables due from banks and other financial institutions | F2.3 | 758 | 421 |
| Loans and receivables due from non-banks | F2.4 | 2 850 | 2 602 |
| Other loans and receivables | F2.6 | 953 | - |
| Current income tax receivable | | 26 | 1 |
| Deferred tax assets | F3 | 22 | 28 |
| Other assets | F4 | 283 | 53 |
| Non-current assets held for sale | A5.3 | 364 | 5 735 |
| Investments in associates | F5 | 3 257 | - |
| Investment property | F6 | 253 | - |
| Property, plant and equipment | F7 | 279 | 277 |
| Intangible assets | F8 | 64 | 102 |
| TOTAL ASSETS | | 10 730 | 10 076 |
| LIABILITIES | | | |
| Due to non-banks | F9 | 1 456 | 712 |
| Due to banks and other financial institutions | F10 | 3 193 | 866 |
| Debt securities issued | F11 | 1 783 | 1 458 |
| Financial liabilities at fair value through profit or loss | F12 | 93 | 50 |
| Liabilities held for sale | A5.3 | 267 | 5 443 |
| Current income tax liability | | 5 | 14 |
| Deferred tax liability | F3 | 17 | 9 |
| Other liabilities | F13 | 194 | 92 |
| TOTAL LIABILITIES | | 7 008 | 8 644 |
| CONSOLIDATED EQUITY | | | |
| Issued capital | F15 | 1 | 1 |
| Share premium | | 677 | 677 |
| Other reserves | | (261) | (41) |
| Retained earnings | | 3 286 | 789 |
| Total equity attributable to equity holders of the Parent | | 3 703 | 1 426 |
| Minority interests | | 19 | 6 |
| Total consolidated equity | | 3 722 | 1 432 |
| TOTAL LIABILITIES AND EQUITY | | 10 730 | 10 076 |

Consolidated income statement

For the year ended 31 December

In millions of EUR

| | Note | 2008 | 2007 |
|--|------------|--------------|--------------|
| Interest income | | 1 132 | 685 |
| Interest expense | | (302) | (133) |
| Net interest income | F17 | 830 | 552 |
| Fee and commission income | | 235 | 169 |
| Fee and commission expense | | (75) | (33) |
| Net fee and commission income | F18 | 160 | 136 |
| Net gain/(loss) on financial assets | F19 | 151 | (8) |
| Net impairment losses on financial assets | F20 | (321) | (238) |
| Net expense related to credit risk insurance | F21 | (19) | (10) |
| Other banking result | | (189) | (256) |
| NET BANKING INCOME | | 801 | 432 |
| Operating income | F22 | 7 | 30 |
| General administrative expenses | F23 | (569) | (397) |
| Other operating expense | F24 | (280) | (28) |
| Operating expense | | (849) | (425) |
| Share of earnings of associates | | (105) | - |
| PROFIT/(LOSS) BEFORE TAX | | (146) | 37 |
| Income tax expense | F25 | (59) | (24) |
| NET PROFIT/(LOSS) FROM CONTINUING OPERATIONS | | (205) | 13 |
| Profit from discontinued operations | A5.4 | 2 696 | 232 |
| NET PROFIT FOR THE PERIOD | | 2 491 | 245 |
| Net profit attributable to minority interests | | 2 | 1 |
| NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT | | 2 489 | 244 |
| Weighted average number of shares | F15 | 66 738 | 66 738 |
| Basic and Diluted earnings per share for profit for the period (EUR) | F30 | 37 295 | 3 656 |
| Basic and Diluted earnings per share for profit from continuing operations (EUR) | F30 | (3 102) | 180 |

The consolidated financial statements were approved by the Board of Directors of the Company on 22 May 2009.

Consolidated statement of changes in equity

In millions of EUR, for the year ended 31 December 2008

| | Issued capital | Share premium | Available for sale reserve | Other revaluation reserve | Legal and statutory reserves | Translation reserve | Catastrophe and equalisation reserves | Retained earnings | Attributable to equity holders of Parent Company | Attributable to Minority interests | Total |
|---|-------------------|------------------|----------------------------------|---------------------------------|------------------------------------|------------------------|--|----------------------|--|--|--------------|
| Balance at 1 January | 1 | 677 | (25) | - | 28 | (74) | 30 | 789 | 1 426 | 6 | 1 432 |
| Currency translation differences | - | - | - | - | - | (122) | - | - | (122) | - | (122) |
| Revaluation of land and buildings | - | - | - | - | - | - | - | - | - | - | - |
| Valuation gains (losses) taken to equity for AFS | - | - | (5) | - | - | - | - | - | (5) | - | (5) |
| Total gains and losses recognised directly in equity | - | - | (5) | - | - | (122) | - | - | (127) | - | (127) |
| Net profit for the year | - | - | - | - | - | - | - | 2 489 | 2 489 | 2 | 2 491 |
| Total recognised income (expense) for the period | - | - | (5) | - | - | (122) | - | 2 489 | 2 362 | 2 | 2 364 |
| Effect on acquisition and disposal of subsidiaries | - | - | 25 | - | (21) | 17 | (30) | 9 | - | 11 | 11 |
| Changes in equity of associates | - | - | (28) | - | - | (57) | - | - | (85) | - | (85) |
| Net allocation to legal and statutory reserves (other than from Net profit) | - | - | - | - | 1 | - | - | (1) | - | - | - |
| Balance at 31 December | 1 | 677 | (33) | - | 8 | (236) | - | 3 286 | 3 703 | 19 | 3 722 |

PPF Group N.V.

Consolidated financial statements for the year ended 31 December 2008

In millions of EUR, for the year ended 31 December 2007

| | Issued capital | Share premium | Available for sale reserve | Other revaluation reserve | Legal and statutory reserves | Translation reserve | Catastrophe and equalisation reserves | Retained earnings | Attributable to equity holders of Parent Company | Attributable to Minority interests | Total |
|---|-------------------|------------------|----------------------------------|---------------------------------|------------------------------------|------------------------|--|----------------------|--|--|--------------|
| Balance at 1 January | 1 | 677 | 20 | 5 | 19 | (69) | 20 | 558 | 1 231 | 5 | 1 236 |
| Currency translation differences | - | - | - | - | - | (53) | - | - | (53) | - | (53) |
| Revaluation of land and buildings | - | - | - | (5) | - | - | - | 5 | - | - | - |
| Valuation gains (losses) taken to equity for AFS | - | - | (34) | - | - | - | - | - | (34) | - | (34) |
| AFS revaluation gains transferred to income statement | - | - | (19) | - | - | - | - | - | (19) | - | (19) |
| Tax on items taken directly to or transferred from equity | - | - | 10 | 1 | - | - | - | - | 11 | - | 11 |
| Total gains and losses recognised directly in equity | - | - | (43) | (4) | - | (53) | - | 5 | (95) | - | (95) |
| Net profit for the year | - | - | - | - | - | - | - | 244 | 244 | 1 | 245 |
| Total recognised income (expense) for the period | - | - | (43) | (4) | - | (53) | - | 249 | 149 | 1 | 150 |
| Net allocation to legal and statutory reserves (other than from Net profit) | - | - | - | - | 8 | - | - | (8) | - | - | - |
| Changes in catastrophe and equalisation reserves | - | - | - | - | - | - | 9 | (9) | - | - | - |
| Difference due to change in presentation currency (D.3.2) | - | - | (2) | (1) | 1 | 48 | 1 | (1) | 46 | - | 46 |
| Balance at 31 December | 1 | 677 | (25) | - | 28 | (74) | 30 | 789 | 1 426 | 6 | 1 432 |

Consolidated statement of cash flows

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

In millions of EUR

| | 2008 | 2007 |
|---|----------------|----------------|
| Cash flows from operating activities | | |
| Profit before tax | 2 550 | 342 |
| Adjustments for: | | |
| Depreciation and amortisation | 41 | 59 |
| Amortisation of PVFP and impairment losses on goodwill and PVFP | 44 | (57) |
| Impairment and reversal of impairment of current and non-current assets | 289 | 263 |
| Profit/loss on disposal of PPE, intangible assets and investment property | 2 | (5) |
| Profit/loss on sale of financial assets | (343) | 44 |
| Consolidated gains/losses on disposal of consolidated subsidiaries and associates | (2 697) | - |
| Interest expense | 302 | 46 |
| Interest income | (1 132) | (814) |
| Other income/expenses not involving movements of cash | (9) | (111) |
| Purchase of financial assets at fair value through profit or loss | (201) | (722) |
| Proceeds from financial assets at fair value through profit or loss trading | 76 | 759 |
| Change in loans and receivables due from banks and other financial institution | (328) | (329) |
| Change in loans and receivables due from non-banks | (1 082) | (1 015) |
| Change in other assets | (163) | 9 |
| Change in financial liabilities at fair value through profit or loss | 44 | 22 |
| Change in liabilities due to non-banks | 682 | 31 |
| Change in other liabilities | 25 | 366 |
| Cash flows arising from taxes on income | (93) | (144) |
| Change in assets and liabilities held for sale | (708) | (5) |
| Net cash from operating activities | (2 701) | (1 261) |

PPF Group N.V.*Consolidated financial statements for the year ended 31 December 2008*

| | 2008 | 2007 |
|--|--------------|--------------|
| Cash flows from investing activities | | |
| Interest received | 887 | 810 |
| Purchase of tangible assets and intangible assets | (136) | (240) |
| Purchase of financial assets at fair value through profit or loss not held for trading | (69) | (828) |
| Purchase of financial assets available for sale | (150) | (1 191) |
| Purchase of investment property | - | (2) |
| Purchase of assets and liabilities held for sale | - | (7) |
| Acquisition of subsidiaries and associates, net of cash acquired | (592) | - |
| Proceeds from disposals of PPE and intangible assets | 49 | 122 |
| Proceeds from sale of financial assets at fair value through profit or loss not held for trading | - | 1 204 |
| Proceeds from sale of financial assets available for sale | 33 | 283 |
| Proceeds from sale of investment property | - | 72 |
| Proceeds from disposal of subsidiaries and associates, net of cash disposed | 1 100 | - |
| Other investing activities | - | (4) |
| Net cash from investing activities | 1 122 | 219 |
| Cash flows from financing activities | | |
| Proceeds from the issue of debt securities | 1 448 | 976 |
| Proceeds from loans by banks and other financial institution | 7 710 | 1 504 |
| Payment of debt securities | (1 119) | (415) |
| Repayment of loans from banks and other financial institution | (5 787) | (935) |
| Interest paid | (284) | (79) |
| Cash flow from financing activities | 1 968 | 1 051 |
| Net increase (decrease) in cash and cash equivalents | 389 | 9 |
| Cash and cash equivalents as at 1 January | 499 | 410 |
| Effect of exchange rate changes on cash and cash equivalents | (36) | 14 |
| Cash and cash equivalents as at 31 December | 852 | 433 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

A. General

A.1. Description of the Group

PPF Group N.V. (“the Parent Company”) is a company domiciled in the Netherlands. The consolidated financial statements of the Parent Company for the year ended 31 December 2008 comprise the Parent Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in associates, joint ventures and affiliated entities.

Refer to section C of these financial statements for a listing of significant Group enterprises and changes to the Group in 2008 and 2007.

Structure of Ultimate shareholders:

As at 31 December 2008, the shareholder structure was as follows:

Petr Kellner 94.36% (directly and indirectly)

Jiří Šmejč 5% (indirectly)

Ladislav Bartoníček 0.64% (indirectly)

Registered Office:

Strawinskylaan 933 Tower B Level 9
1077XX Amsterdam

The Directors authorised the financial statements for issue on 22 May 2009.

A.2. Statutory bodies of the Parent Company

The Board of Directors:

Aleš Minx, Chairman of the Board of Directors – Den Haag, Netherland

Wilhelmus Jacobus Meyberg, Director - Naarden, Netherlands

Rudolf Bosveld, Director – Velp, Netherlands

A.3. Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations as adopted by the International Accounting Standards Board (IASB) and the European Union (EU) in accordance with the IAS Regulation (EC 1606/2002). One amendment of IFRSs was adopted prior to its effective date (refer to D.4).

The management has reviewed those standards and interpretations adopted by the EU at the date of issue of the financial statements which were not effective at that date. An assessment of

the expected impact of these standards and interpretations on the Company is shown in note D.5.

A.4. Basis of preparation

The Dutch accounting legislation enables the Group to prepare these consolidated financial statements in accordance with IFRS (as adopted by EU – refer to A.3).

The financial statements are presented in Euros (EUR), rounded to the nearest million.

Until 31 December 2007 the Group presented consolidated financial statements in CZK (Czech Crowns), domestic currency of the Czech Republic. In 2008 the Group decided to change its presentation currency (refer to D.3.2) as this better reflects the international character of current activities. This change was mainly affected by significant movement in business and regional focus when whole insurance group represented by CZI Holdings N.V. (with majority of activities based in the Czech Republic) was disposed of and consequently 49% share in newly established insurance holding Generali PPF Holding was acquired (with focus on region of Central and Eastern Europe). Moreover further growth of consumer finance business within all regions weakened the overall weight of business done in the Czech Republic. From the same reasons the Parent Company changed its functional currency from CZK to EUR commencing 1 January 2008.

The financial statements have been prepared on a historic cost basis, except for the following assets and liabilities which are stated at their fair value: derivative financial instruments, financial instruments held for trading, financial instruments designated upon initial recognition as valued at fair value through profit and loss, financial instruments classified as available-for-sale and investment properties. Financial assets and liabilities and non-financial assets and liabilities which are valued at historic cost are stated at amortised cost or historic cost, as appropriate, net of any relevant impairment.

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

The preparation of the financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historic experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of the judgments about the carrying values of assets and liabilities that cannot readily be determined from other sources. The actual values may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in both the period of the revision and future periods if the revision affects both the current and future periods.

Judgments made by management in the application of IFRSs that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next period are discussed in note F.31.

A.5. Assets and liabilities held for sale and discontinued operations

A.5.1. Generali transaction

Assets and liabilities held for sale as at 31 December 2007 represent all assets and liabilities of CZIH Group (an insurance group of entities under CZI Holdings N.V.) which were subject to the Generali transaction occurred on 17 January 2008.

The whole transaction is from the Parent Company's point of view regarded a sale of 100 % ownership interest in CZIH Group and acquisition for 49 % ownership interest in Generali PPF Holding B.V.

Profit from the transaction amounted MEUR 2 697 and it is recorded as profit from discontinued operations (refer to C.4 for calculation of profit).

After this transaction PPF Group does not control any other companies providing insurance business, CZIH Group ceased to be consolidated by the full method of consolidation and Generali PPF Holding B.V. starts to be accounted for by using the equity method.

For the purpose of comparative figures companies providing insurance business represent a separate major line of business and it also it meets the definition of discontinued operations.

In 2007 companies from CZIH Group that provide insurance business and are disclosed as discontinued operations and non-current assets held for sale in the comparative figures are:

- Česká pojišťovna a.s.
- Česká poisťovna - Slovensko, a.s.
- Česká pojišťovna ZDRAVÍ a.s.
- ČPI Globálních značek
- CP Kazakhstan AO
- CP Reinsurance company Ltd.
- Czech Insurance Company, Ltd.
- Penzijní fond České pojišťovny, a.s.

Companies belonging to the CZIH Group which do not provide insurance business do not represent a separate major line of business and do not meet the definition of discontinued operations. During 2007 until the disposal they meet only the definition of non-current assets held for sale. The companies are:

- CZI Holdings N.V.
- ČP DIRECT, a.s.
- ČP INVEST investiční společnost, a.s.
- CP Strategic Investments B.V.
- PPF Asset Management a.s.
- První Callin agentura a.s.
- Univerzální správa majetku a.s.

In 2007 residual assets and liabilities held for sale represent assets and liabilities of Privat Invest (LLC), the Ukrainian subsidiary acquired by the Group in November 2007 with a view to sale within one year. In 2008 the company was reclassified and fully consolidated as it does not meet the definition of a held-for-sale entity.

A.5.2. Acquisition of CPRe

On 15 December 2008 the Group acquired 100% share in CP Reinsurance Company Ltd. (CPRe), the Cypriot reinsurance company previously transferred to Generali PPF Holding B.V. as a part of the Generali transaction.

On 1 January 2009 CP Reinsurance Company Ltd. terminated all the reinsurance contracts with members of Generali PPF Holding B.V. Group. The termination was initiated by these companies. In the first quarter of 2009 CP Reinsurance Company Ltd. worked on smooth settlement of the terminations. As of date of issuance of these financial statements there is no reinsurance contract in place. The Group's plan is to sell the company, so assets and liabilities as of 31 December 2008 are classified as assets and liabilities held for sale.

Profit and loss for the period from the acquisition till 31 December 2008 is classified as profit from discontinued operations.

A.5.3. Financial details

In 2007 assets and liabilities held for sale comprise all assets and liabilities of the CZIH Group and also assets and liabilities of Privat Invest (LLC).

In 2008 assets and liabilities held for sale comprise all assets and liabilities of CPRe.

The following table shows details of assets and liabilities disclosed as non-current assets and liabilities held for sale in the balance sheet.

In millions of EUR, as at 31 December

| | 2008 | 2007 |
|--|------------|--------------|
| Cash and cash equivalents | 85 | 112 |
| Financial assets at fair value through profit or loss | 253 | 3 256 |
| Financial assets available-for-sale | - | 940 |
| Financial assets held to maturity | - | 79 |
| Loans and receivables | - | 913 |
| Reinsurance assets | 26 | 50 |
| Deferred tax assets | - | 5 |
| Other assets | - | 53 |
| Non-current assets held for sale | - | 2 |
| Investment property | - | 20 |
| Property, plant and equipment | - | 42 |
| Intangible assets | - | 263 |
| Total assets held for sale | 364 | 5 735 |
| Debt securities issued | - | 19 |
| Financial liabilities at fair value through profit or loss | - | 17 |
| Insurance liabilities | 259 | 3 493 |
| Financial liabilities for investment contracts with DPF | - | 1 477 |
| Deferred tax liabilities | - | 53 |
| Other liabilities | 8 | 374 |
| Net assets attributable to unit-holders | - | 10 |
| Total liabilities held for sale | 267 | 5 443 |

Balance sheet tables in the Notes (F.1 – F.14) contain balances excluding held-for-sale items.

A.5.4. Discontinued operations

Tables in the Notes (F.17 - F.25) which contain a detailed breakdown of the income or expenses balances refer to the relevant continuing operations.

The following table shows income and expenses of discontinued operations. In 2008 figures represent financial performance of CPRe, in 2007 performance of CZIH Group.

In millions of EUR, for the twelve months ended 31 December

| | 2008 | 2007 |
|---|--------------|----------------|
| Net insurance premium revenue | 37 | 1 413 |
| Interest and similar income | 2 | 130 |
| Other income from financial assets | - | 9 |
| Income from investment property | - | 2 |
| Net fee and commission income, and income from service activities | - | 5 |
| Other income | 2 | 69 |
| Total revenue | 41 | 1 628 |
| Net insurance claims and benefits | (14) | (797) |
| Investments contracts benefits | - | (34) |
| Other expenses from financial assets | (2) | (7) |
| Expenses from investment property | - | (14) |
| Other operating expenses | (10) | (429) |
| Amortisation of PVFP | - | 58 |
| Other expenses | (14) | (99) |
| Total expenses | (40) | (1 322) |
| Profit from discontinued operations | 1 | 306 |
| Income tax expense | (2) | (74) |
| Profit after tax | (1) | 232 |
| Net profit for the period | (1) | 232 |
| Profit from disposal of CZIH Group | 2 697 | - |
| Net profit attributable to equity holders | 2 696 | 232 |

Cash flows from discontinued operations were as follows:

In millions of EUR, for the twelve months ended 31 December

| | 2008 | 2007 |
|--|-------------|-------------|
| Cash flows from operating activities | (29) | 185 |
| Cash flows from investing activities | 19 | (49) |
| Cash flows from financing activities | (53) | (181) |
| Net cash inflow/outflow from discontinued | (63) | (45) |

B. Segment reporting

Since 2008 the Group significantly changed its business structure, mainly after the disposal of CZIH Group. Insurance business, previously the core segment, changed its position within the Group structure and is accounted for using an equity method of consolidation. During the year the majority of the Group business consists of a consumer finance business. At the end of the year the Group acquired real estate structure however this has no impact on revenues in 2008 and also does not significantly change the structure of segment assets.

From those reasons the Group decided to present segment information as a mix of geographical and industry information as the strict distinction between primary and secondary segment does not give the most appropriate view on the Group activities.

The most significant Group business segment is the consumer finance business. It is operated in five major geographical areas, the Czech Republic, the Slovak Republic, the Russian Federation, the other Eastern European/Asian Countries (Ukraine, Kazakhstan, Belorussia) and China. The geographical segments are based on the geographical location of assets which corresponds to the geographical location of customers at the same time.

Insurance business segment represents in 2007 discontinued activities of CZIH Group, in 2008 the effect on disposal of this Group, reinsurance entity CP Reinsurance Company Ltd. and a financial position of newly established Generali PPF Holding.

Real estate business segment consists of newly acquired real estate structure in 2008 and PPF Gate, a.s., an entity holding the Group headquarter premises. All real estate projects are located in the region of Central and Eastern Europe.

Assets and share of earnings of significant associates Nomos-Bank and Polymetal, both located in Russia are included in segment Other banking, resp. Other. Other balances in the segment Other represent mainly holding companies providing on-lending within the Group and investment interests of these holding companies. Total assets and liabilities related to segment Other represent mainly external financing and transfer of funds within the Group and majority of eliminations relate to this segment.

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

Segment assets and liabilities includes all assets and liabilities attributable to segments excluding deferred and income tax position.

Total segment revenue contain interest income, fees and commission income and operating income.

The following table shows main items from the financial statements broken down according to the geographical segment for 2008 and 2007.

PPF Group N.V.

Notes to the consolidated financial statements for the year ended 31 December 2008

In millions of EUR

| 2008 | Czech Republic | Slovak Republic | Russian Federation | East Euro/ Asian countries | China | Subtotal Home Credit | Insurance | Real Estate | Other banking | Other | Eliminations | Consolidated 2008 |
|--|----------------|-----------------|--------------------|-------------------------------|-------------|-------------------------|--------------|-------------|---------------|--------------|--------------|----------------------|
| Revenue from external customers | 131 | 45 | 985 | 96 | 6 | 1 263 | - | 2 | 60 | 49 | - | 1 374 |
| Inter-segment revenue | 45 | - | - | 4 | 4 | 53 | - | 2 | 16 | 214 | (285) | - |
| Total revenue from continuing operations | 176 | 45 | 985 | 100 | 10 | 1 316 | - | 4 | 76 | 263 | (285) | 1 374 |
| Segment share of earnings of associates | - | - | - | - | - | - | (42) | - | (53) | (10) | - | (105) |
| Segment result from continuing operations | 19 | - | 142 | (46) | (46) | 69 | (42) | (8) | (30) | (143) | 8 | (146) |
| Income tax expense | | | | | | | | | | | | (59) |
| Net profit from continuing operations | | | | | | | | | | | | (205) |
| Segment result from discontinued operations | - | - | - | - | - | | 2 696 | - | - | - | - | 2 696 |
| Net profit for the year | | | | | | | | | | | | 2 491 |
| Capital expenditure | (11) | (1) | (55) | (7) | (2) | (77) | - | (49) | (1) | (5) | - | (131) |
| Depreciation and amortization | (6) | - | (22) | (4) | (3) | (35) | - | (2) | (2) | (2) | - | (41) |
| Other significant non-cash expenses | (10) | (15) | (239) | (47) | (14) | (325) | - | (4) | (8) | (40) | 3 | (374) |
| Segment assets | 510 | 167 | 2 712 | 221 | 324 | 3 934 | 378 | 561 | 1 659 | 5 978 | (5 085) | 7 425 |
| Investments in associates | - | - | | - | - | | 2 394 | 3 | 398 | 462 | - | 3 257 |
| Unallocated assets | | | | | | | | | | | | 48 |
| Total assets | | | | | | | | | | | | 10 730 |
| Segment liabilities | 429 | 158 | 2 249 | 184 | 85 | 3 105 | 267 | 508 | 1 564 | 6 630 | (5 088) | 6 986 |
| Unallocated liabilities | | | | | | | | | | | | 22 |
| Total liabilities | | | | | | | | | | | | 7 008 |
| Segment equity | 82 | 9 | 463 | 36 | 239 | 829 | 2 504 | 56 | 566 | (262) | 3 | 3 722 |

PPF Group N.V.

Notes to the consolidated financial statements for the year ended 31 December 2008

In millions of EUR

| 2007 | Czech Republic | Slovak Republic | Russian Federation | East Euro/Asian countries | China | Subtotal Home Credit | Insurance | Real Estate | Other banking | Other | Eliminations | Consolidated 2007 |
|--|----------------|-----------------|--------------------|---------------------------|-------------|----------------------|------------|-------------|---------------|--------------|--------------|-------------------|
| Revenue from external customers | 104 | 32 | 628 | 55 | 1 | 820 | - | 3 | 43 | 18 | - | 884 |
| Inter-segment revenue | 35 | - | 47 | 9 | - | 91 | - | - | 13 | 77 | (181) | (25) |
| Total revenue from continuing operations | 139 | 32 | 675 | 64 | 1 | 911 | - | 3 | 56 | 95 | (181) | 859 |
| Segment share of earnings of associates | - | - | - | - | - | - | - | - | - | - | - | - |
| Segment result from continuing operations | 19 | 1 | 76 | (19) | (22) | 55 | - | (1) | 25 | (54) | 12 | 37 |
| Income tax expense | | | | | | | | | | | | (24) |
| Net profit from continuing operations | | | | | | | | | | | | 13 |
| Segment result from discontinued operations | - | - | - | - | - | - | 232 | - | - | - | - | 232 |
| Net profit for the year | | | | | | | | | | | | 245 |
| Capital expenditure | (13) | - | (79) | (9) | (9) | (110) | - | (1) | (1) | (5) | - | (117) |
| Depreciation and amortization | (4) | - | (11) | (4) | (1) | (20) | - | - | (2) | (2) | - | (24) |
| Other significant non-cash expenses | (11) | (9) | (208) | (10) | (1) | (239) | - | - | - | - | - | (239) |
| Segment assets | 434 | 128 | 2 241 | 277 | 112 | 3 192 | 6 865 | 106 | 1 030 | 2 154 | (3 300) | 10 047 |
| Investments in associates | - | - | | - | - | - | - | - | - | - | - | - |
| Unallocated assets | | | | | | | | | | | | 29 |
| Total assets | | | | | | | | | | | | 10 076 |
| Segment liabilities | 361 | 122 | 1 842 | 223 | 20 | 2 568 | 5 928 | 55 | 945 | 2 390 | (3 265) | 8 621 |
| Unallocated liabilities | | | | | | | | | | | | 23 |
| Total liabilities | | | | | | | | | | | | 8 644 |
| Segment equity | 73 | 6 | 399 | 54 | 92 | 624 | 937 | 51 | 85 | (236) | (35) | 1 432 |

C. Consolidation

C.1. Basis of consolidation

Subsidiaries are those entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into consideration. The Group holds investments in certain mutual funds which are administered by a subsidiary controlled by the Group. Such funds are consolidated in the Group's financial statements when the Group holds more than an insignificant interest in the fund, regardless of the Group's percentage ownership. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

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

Derecognition of subsidiaries and associates follows the contractual arrangements and law conditions.

Intra-group balances and transactions, and any unrealised gains and losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealised gains arising from transactions with associates and joint ventures are eliminated against the investment in the associate or joint venture. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

The list of significant subsidiaries is presented in note C.2.

C.2. Group entities

The significant subsidiaries as at 31 December 2008 are the following:

| Company | Country of residence | Effective proportion of ownership interest | Effective proportion of voting interest |
|--|----------------------|--|---|
| PPF Group N.V. | Netherlands | Parent Company | Parent Company |
| <i>Home Credit subgroup</i> | | | |
| Home Credit B.V. | Netherlands | 100.00% | 100.00% |
| HCA N.V. | Netherlands | 100.00% | 100.00% |
| Eurasia Capital S.A. | Luxembourg | 0.00% | 0.00% |
| Eurasia Structured Finance #1 S.A. | Luxembourg | 0.00% | 0.00% |
| Favour Ocean Ltd. | Hong Kong | 100.00% | 100.00% |
| Financial Innovations LLC | Russia | 99.99% | 99.99% |
| Foshan Hengfeng Credit Guarantee Co. Ltd. | China | 100.00% | 100.00% |
| Guangdong Home Credit Guarantee Co. Ltd. | China | 100.00% | 100.00% |
| HC Fin2 B.V. | Netherlands | 100.00% | 100.00% |
| HC Fin3 B.V. | Netherlands | 100.00% | 100.00% |
| HC Kazakh Holdings B.V. | Netherlands | 100.00% | 100.00% |
| HCF Funding NO.1 B.V. | Netherlands | 0.00% | 0.00% |
| Home Credit a.s. | Czech Republic | 100.00% | 100.00% |
| Home Credit Asia Ltd. (former Union Wealth Engineering Ltd.) | Hong Kong | 100.00% | 100.00% |
| Home Credit Bank | Ukraine | 100.00% | 100.00% |
| Home Credit Bank OAO | Belarus | 100.00% | 100.00% |
| Home Credit Business Management (Tianjin) Co., Ltd. | China | 100.00% | 100.00% |
| Home Credit Finance Bank o.o.o. | Russia | 99.99% | 99.99% |
| Home Credit Finance LLC | Ukraine | 100.00% | 100.00% |
| Home Credit International JSC | Czech Republic | 100.00% | 100.00% |
| Home Credit Kazakhstan JSC | Kazakhstan | 100.00% | 100.00% |
| Home Credit Slovakia, a.s. | Slovakia | 100.00% | 100.00% |
| Homer Software House LLC | Ukraine | 100.00% | 100.00% |
| Chongqing Home Credit Guarantee Co. Ltd. | China | 100.00% | 100.00% |
| INFOBOS LLC | Russia | 99.99% | 99.99% |
| Jiagsu Home Credit Guarantee Co Ltd. | China | 100.00% | 100.00% |
| Liaoning Home Credit Guarantee Co. Ltd. | China | 100.00% | 100.00% |
| LIKO-Technopolis LLC | Russia | 99.99% | 99.99% |
| Privat Invest PCJSB | Ukraine | 99.74% | 99.74% |
| REDLIONE Ltd. | Cyprus | 100.00% | 100.00% |
| Shenzen Home Credit Financial Service Co., Ltd. | China | 100.00% | 100.00% |
| Shenzen Home Credit Guarantee Co., Ltd | China | 100.00% | 100.00% |
| Sichuan Home Credit Guarantee Co. Ltd. | China | 100.00% | 100.00% |
| Zhejiang Home Credit Guarantee Co. Ltd. | China | 100.00% | 100.00% |
| <i>Real Estate subgroup</i> | | | |
| PPF Gate, a.s. | Czech Republic | 100.00% | 100.00% |
| PPF Real Estate Ltd. | Jersey | 100.00% | 100.00% |
| PPF Real Estate Ltd. | Cyprus | 100.00% | 100.00% |
| Bucca Properties Ltd. | BVI | 100.00% | 100.00% |
| Celestial Holdings Group Ltd. | BVI | 100.00% | 100.00% |
| Crestfallen Ltd. | Cyprus | 100.00% | 100.00% |
| Feliston Enterprises Ltd. | Cyprus | 33.33% | 33.33% |

PPF Group N.V.*Notes to the consolidated financial statements for the year ended 31 December 2008*

| | | | |
|------------------------------------|----------------|---------|---------|
| Flogesco Ltd. | Cyprus | 100.00% | 100.00% |
| Gilbey Ltd. | Cyprus | 40.00% | 40.00% |
| Intrust NN | Russia | 33.33% | 33.33% |
| Investitslonny Trust ZAO | Russia | 33.33% | 33.33% |
| Komodor LLC | Ukraine | 40.00% | 40.00% |
| Kvartal Togliatti LLC | Russia | 100.00% | 100.00% |
| Office Star Eight spol. s r. o. | Czech Republic | 100.00% | 100.00% |
| Office Star Five spol. s r. o. | Czech Republic | 100.00% | 100.00% |
| Office Star Four spol. s r. o. | Czech Republic | 100.00% | 100.00% |
| Office Star Fourteen spol. s r. o. | Czech Republic | 100.00% | 100.00% |
| Office Star Nine spol. s r. o. | Czech Republic | 100.00% | 100.00% |
| Office Star One spol. s r. o. | Czech Republic | 100.00% | 100.00% |
| Office Star Seven spol. s r. o. | Czech Republic | 100.00% | 100.00% |
| Office Star Six spol. s r. o. | Czech Republic | 100.00% | 100.00% |
| Office Star Ten spol. s r. o. | Czech Republic | 100.00% | 100.00% |
| Office Star Thirteen spol. s r. o. | Czech Republic | 100.00% | 100.00% |
| Office Star Three spol. s r. o. | Czech Republic | 100.00% | 100.00% |
| Office Star Two spol. s r. o. | Czech Republic | 100.00% | 100.00% |
| PPF Property Ltd. | Cyprus | 100.00% | 100.00% |
| Rural Capital S. R. L. | Romania | 98.50% | 98.50% |
| Rural Dobrogea S. R. L. | Romania | 98.50% | 98.50% |
| Rural Moldava S. R. L. | Romania | 98.50% | 98.50% |
| Rural Oltenia S. R. L. | Romania | 98.50% | 98.50% |
| S. C. Bavaria Complex S. R. L. | Romania | 50.39% | 50.39% |
| S. C. Rural Capital Dol S. R. L. | Romania | 98.50% | 98.50% |
| S. C. Rural Capital Unu S. R. L. | Romania | 98.50% | 98.50% |
| Salemonto Ltd. | Cyprus | 100.00% | 100.00% |
| Sigurno Ltd. | Cyprus | 100.00% | 100.00% |
| Stinctum Holdings Ltd. | Cyprus | 33.33% | 33.33% |
| Tenacity Ltd. | Cyprus | 100.00% | 100.00% |
| Yarisalto Ltd. | Cyprus | 100.00% | 100.00% |

Other significant subsidiaries

| | | | |
|---------------------------------|----------------|---------|---------|
| Anthiarose Ltd. | Cyprus | 100.00% | 100.00% |
| CF Commercial Consulting Ltd. | China | 100.00% | 100.00% |
| CP Reinsurance Company Ltd. | Cyprus | 100.00% | 100.00% |
| Dunmow Ltd. | Cyprus | 100.00% | 100.00% |
| HC Fin1 B.V. | Netherlands | 100.00% | 100.00% |
| HC SE | Netherlands | 100.00% | 100.00% |
| Marksamy B.V. | Netherlands | 100.00% | 100.00% |
| Pearlmoon Ltd. | Cyprus | 100.00% | 100.00% |
| PPF a.s. | Czech Republic | 100.00% | 100.00% |
| PPF banka, a.s. | Czech Republic | 92.76% | 92.76% |
| PPF Co1 B.V. | Netherlands | 100.00% | 100.00% |
| PPF Co2 B.V. | Netherlands | 100.00% | 100.00% |
| PPF Partners Ltd. | Guernsey | 100.00% | 100.00% |
| Russia Finance Corporation B.V. | Netherlands | 100.00% | 100.00% |
| Torpera Ltd. | Cyprus | 100.00% | 100.00% |

Other significant associates

| | | | |
|---------------------------|----------------|---------|---------|
| Polymetal, OJSC | Russia | 24.90% | 24.90% |
| Nomos-Bank, OJSC | Russia | 29.92% | 29.92% |
| Accord Invest LLC | Russia | 40.00% | 40.00% |
| Generali PPF Holding B.V. | Netherlands | 49.00% | 49.00% |
| Česká pojišťovna a.s.* | Czech Republic | 100.00% | 100.00% |

PPF Group N.V.*Notes to the consolidated financial statements for the year ended 31 December 2008*

| | | | |
|---------------------------------------|----------------|---------|---------|
| Delta Generali Osiguranje a.d.* | Serbia | 100.00% | 100.00% |
| Generali Pojistovna a.s.* | Czech Republic | 100.00% | 100.00% |
| Generali Slovensko Poist'ovňa, a.s.* | Slovakia | 100.00% | 100.00% |
| Generali Towarzystwo Ubezpiec.* | Poland | 100.00% | 100.00% |
| Generali Zycie S.A.* | Poland | 100.00% | 100.00% |
| Generali-Providencia Biztosító* | Hungary | 100.00% | 100.00% |
| Penzijní fond České pojišťovny, a.s.* | Czech Republic | 100.00% | 100.00% |

* All entities listed below Generali PPF Holding B.V. (a holding company) represent the most significant entities within this insurance group, effective proportions of ownership and voting interest presented relate to the Generali PPF Holding B.V. itself.

On 8 January 2008 the Board of Directors of PPF GATE a.s. and the Board of Directors of E-GATE a.s. approved an intention of merger. According to the intention of merger PPF GATE a.s. is the successor company and E-GATE a.s. ceases to exist. The effective date of the merger was determined to 1 January 2008. The merger was concluded on 26 June 2008 when the Commercial Court incorporated it in a register.

C.3. Acquisitions**C.3.1. Associates**

The following table shows the significant acquisitions during 2008:

| Acquired company | Description of entities | Method of accounting for combination | Effective date of the combination | Percentage of ownership interest obtained | Cost of acquisition (in millions of EUR) |
|---------------------------|--------------------------------|--------------------------------------|-----------------------------------|---|--|
| Generali PPF Holding B.V. | insurance holding | acquisition | 17.1.2008 | 49.00% | 2 500 |
| Nomos-Bank, OJSC | bank | acquisition | 17.4.2008 | 29.92% | 443 |
| Pearlmoon Ltd. | holding company | acquisition | 11.6.2008 | 100.00% | 481 |
| Polymetal, OJSC* | precious metals mining company | acquisition | 11.6.2008 | 24.90% | n/a* |
| Accord Invest LLC | service company | acquisition | 28.8.2008 | 40.00% | - |

* acquired through Pearlmoon Ltd.

Generali PPF Holding B.V.

The details of the transaction are described in note A.5.1.

Nomos-Bank, OJSC

As at 31 December 2007 the Parent Company held indirectly 15.66% stake in Open Joint-Stock Company “Nomos-Bank” that was acquired for MEUR 213 during 2007 through 100% subsidiary Russia Finance Corporation B.V. (“RFC”). The Group could not exercise significant influence in Nomos-Bank during 2007 and the investment was classified as financial asset available-for-sale in the consolidated financial statements for the year ended 31 December 2007.

On 14 January 2008 the Group acquired an additional 2.02% stake in Nomos-Bank via increase bank's share capital.

On 17 April 2008 the new SPAs for purchase of an additional 12.24% stake have been signed and RFC became shareholder with total 29.92% shareholding in Nomos-Bank. Since 17 April 2008, the Group is considered exercising significant influence in Nomos-Bank, hence the investment in Nomos-Bank has been accounted for by using the equity method of consolidation since that date.

Total cost of the investment MEUR 443 contains goodwill arising from the acquisition. Goodwill in amount MEUR 236, representing part of the cost of the investment for assets that are not capable of being individually identified and separately recognized, involves in this case potential intangible assets not recorded in the financial statements of Nomos-Bank that could not be measured reliably. The Group has not identified any significant intangible asset apart from the goodwill.

In June the Group participated in capital increase of Nomos-Bank proportionally to its share in amount of MEUR 38.

Polymetal, OJSC

On 10 June 2008, the Parent Company signed SPA for the purchase of 99.9% issued capital of Cyprus entity Pearlmooon Ltd. (whole issued capital except one B share), which holds a 24.9% stake in Russian company Polymetal, one of the leading precious metals mining company, which produces gold and silver. Closing date of the transaction occurred on 11 June 2008.

24.9% share in Polymetal was contributed to Pearlmooon Ltd. just before the transaction. The value of the contribution corresponds with the total fixed part of consideration paid for 100% stake in Pearlmooon Ltd.

The total consideration consisted of immediate payments and deferred payments payable in November 2008 and March 2009. Whole deferred price payable was settled in December 2008 using bank loan provided to Russian entity Accord Invest LLC in which the Group has significant influence.

The Group holds 24.9% stake and is considered exercising significant influence, hence the investment in Polymetal has been accounted for by using equity method of consolidation.

Total cost of the investment MEUR 481 contains goodwill arising from the acquisition. The goodwill in amount MEUR 381 represents part of the cost of the investment for assets that are not capable of being individually identified and separately recognized. We have not sufficient information to properly determine the fair value of the associate as per the date of acquisition, however, based on our assessment of the company the effect of any adjustments would not be material to the financial statements.

C.3.2. Real estate structure

On 1 September 2008 the Group acquired 100% in PPF Real Estate Ltd. This entity holds A shares (representing 100 % voting rights) in PPF Property Limited, real estate fund investing into several real estate projects. On 28 December the Group acquired also B shares in PPF Property Limited transferring all economic benefits to the Group, so the Group controls this real estate structure from this date. The total consideration for the structure was MEUR 110. There is no goodwill arising from the acquisition. Fair value of assets acquired is MEUR 393, fair value of liabilities and minority interest acquired is MEUR 283.

PPF Group N.V.*Notes to the consolidated financial statements for the year ended 31 December 2008*

The following summary summarize acquisition of other significant subsidiaries in 2008:

| Acquired company | Description of entities | Method of accounting for combination | Effective date of the combination | Percentage of ownership interest | Cost of acquisition (in millions of EUR) |
|-----------------------------|-------------------------|--------------------------------------|-----------------------------------|----------------------------------|---|
| CP Reinsurance company Ltd. | reinsurance company | acquisition | 15 December 2008 | 100.00% | 305 |
| Anthiarose Ltd. | holding company | acquisition | 17 April 2008 | 100.00% | 2 |
| Dunmow Ltd. | holding company | acquisition | 27 November 2008 | 100.00% | 172 |
| Marksamy B. V.* | finance company | acquisition | 27 November 2008 | 100.00% | - |

* subsidiary of Dunmow Ltd.

The following table shows the significant acquisitions during 2007:

| Acquired company | Description of entities | Method of accounting for combination | Effective date of the combination | Percentage of ownership interest | Cost of acquisition (in millions of EUR) |
|--|-------------------------|--------------------------------------|-----------------------------------|----------------------------------|---|
| E-GATE a.s. | real estate holder | acquisition | 11 July 2007 | 100.00% | 32 |
| Guangdong Hengfeng Financing Guarantee Co., Ltd. | guarantee company | acquisition | 15 August 2007 | 100.00% | 5 |
| Guangzhou Yinghuen Economy Energy Equipments Co., Ltd. | guarantee company | acquisition | 15 August 2007 | 100.00% | - |
| Lorobank OAO | bank | acquisition | 2 February 2007 | 100.00% | 5 |
| PPF GATE a.s. | property lease | acquisition | 25 April 2007 | 100.00% | 7 |
| Russia Finance Corporation B.V. | holding company | acquisition | 28 June 2007 | 100.00% | - |

PPF Group N.V.*Notes to the consolidated financial statements for the year ended 31 December 2008*

The following table shows details of significant companies acquired in 2008:

In millions of EUR

| Acquired company | Fair value of assets acquired | From which cash and cash equivalents | Fair value of liabilities undertaken | Goodwill arising on acquisition | Net profit (loss) for the period included in consolidated 2008 result |
|-----------------------------|-------------------------------|--------------------------------------|--------------------------------------|---------------------------------|---|
| CP Reinsurance company Ltd. | 586 | 148 | 281 | - | (1) |
| Anthiarose Ltd. | 2 | - | - | - | 1 |
| Dunmow Ltd. * | 172 | - | - | - | (22) |

*including acquisition of Marksamy B. V.

The following table shows details of significant companies acquired in 2007:

In millions of EUR

| Acquired company | Fair value of assets acquired | From which cash and cash equivalents | Fair value of liabilities undertaken | Goodwill arising on acquisition | Net profit (loss) for the period included in consolidated 2007 result |
|--|-------------------------------|--------------------------------------|--------------------------------------|---------------------------------|---|
| E-GATE a.s. | 64 | - | 31 | (1)* | (1) |
| Guangdong Hengfeng Financing Guarantee Co., Ltd. | 11 | 1 | 6 | - | (1) |
| Guangzhou Yinghuen Economy Energy Equipments Co., Ltd.** | - | - | - | - | - |
| Lorobank OAO | 6 | - | - | (1)* | - |
| PPF GATE a.s. | 7 | 7 | - | - | (1) |
| Russia Finance Corporation B.V. | - | - | - | - | 1 |

*negative goodwill (included in the income statement)

** the company was acquired as a subsidiary of Guangdong Hengfeng Financing Guarantee Co., Ltd.

The above acquisitions were settled by cash or cash equivalents.

PPF Group N.V.*Notes to the consolidated financial statements for the year ended 31 December 2008*

The following table shows the companies established by the Group during 2008:

| Established company | Description of entities | Date of first consolidation | Percentage of ownership interest |
|---|-------------------------|-----------------------------|----------------------------------|
| Home Credit Business Management (Tianjin) Co., Ltd. | consulting | 7 July 2008 | 100.00% |
| Shenzen Home Credit Guarantee Co., Ltd | guarantee company | 1 April 2008 | 100.00% |
| PPF Partners Ltd. | holding company | 12 November 2008 | 100.00% |

The following table shows the companies established by the Group during 2007:

| Established company | Description of entities | Date of first consolidation | Percentage of ownership interest |
|---|-------------------------|-----------------------------|----------------------------------|
| Ceska Pojistovna Ukraine Life Insurance | insurance company | 1 January 2007 | 100.00% |
| CP Kazakhstan AO | insurance company | 2 February 2007 | 100.00% |
| Chongqing Home Credit Guaranty Co. Ltd. | guarantee company | 22 January 2007 | 100.00% |
| HC Fin1 B.V. | holding company | 7 June 2007 | 100.00% |
| Jiangsu Home Credit Guaranty Co Ltd. | guarantee company | 13 April 2007 | 100.00% |
| Liaoning Home Credit Guaranty Co. Ltd. | guarantee company | 30 January 2007 | 100.00% |
| Shenzhen Xin Chi Commercial Consulting Co. Ltd. | consulting | 18 January 2007 | 100.00% |
| Sichuan Home Credit Guaranty Co. Ltd. | guarantee company | 22 May 2007 | 100.00% |
| Zhejiang Home Credit Guaranty Co. Ltd. | guarantee company | 23 January 2007 | 100.00% |
| PPF Co1 B.V. | holding company | 1 June 2007 | 100.00% |
| PPF Co2 B.V. | holding company | 1 June 2007 | 100.00% |

C.4. Disposals

The only significant disposal occurred in 2008 relates to the Generali transaction (refer to A.5.1) - disposal of CZIH Group.

The impact of the transaction is following:

In millions of EUR

| | 17 January 2008 |
|--|-----------------|
| Book value of assets sold (of which cash equivalents MEUR 125) | 6 354 |
| Goodwill derecognized | 27 |
| Book value of liabilities transferred | (5 478) |
| Consideration (of which cash assumed MEUR 1100) | 3 600 |
| Profit on disposal | 2 697 |

D. Significant accounting policies and assumptions

D.1. Significant accounting policies

D.1.1. Foreign currency translation

A foreign currency transaction is a transaction that is denominated in or requires settlement in a currency other than the functional currency. The functional currency is the currency of the primary economic environment in which an entity operates. For initial recognition purposes, a foreign currency transaction is translated into the functional currency using the exchange rate effective at the date of the transaction. At each balance sheet date:

- foreign currency monetary items are translated using the closing foreign exchange rate;
- non-monetary items denominated in a foreign currency and which are carried at historical cost are translated using the foreign exchange rate at the date of the original transaction;
- non-monetary items denominated in a foreign currency, which are carried at fair value, are translated using the foreign exchange rates ruling at the dates the fair values were determined.

Exchange differences arising from the settlement of monetary items or from translation of the Group's monetary items at rates different from those at which they were initially recorded, or reported in previous financial statements, are recognised as Operating income/expense in the period in which they arise.

For enterprises within the Group which have a functional currency different from the Group's presentation currency, the following procedures are used for translation into the presentation currency for reporting purposes:

- the assets and liabilities, both monetary and non-monetary, of the foreign entity are translated at the closing exchange rate;
- income and expenses of the foreign entity are translated at exchange rates approximating to the foreign exchange rates ruling at the dates of the transactions;
- all resulting exchange differences arising from the translation of foreign subsidiaries are classified under "foreign currency translation adjustments" as a separate component of equity until disposal of the net investment in the subsidiary.

D.1.2. Impairment

The carrying amounts of the Group's assets, other than investment property (refer to D.1.7), inventories (D.1.5), deferred tax assets (D.1.20), deferred acquisition costs (refer to D.2.4) and the present value of future profits on an acquired insurance portfolio (D.2.2), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such

indication exists, the asset's recoverable amount is estimated. The recoverable amount is measured annually regardless of any indication of impairment for intangible assets with an indefinite useful life and for intangible assets not yet available for use.

Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired.

An impairment loss is recognised to the extent that the carrying amount of an asset, or the relevant cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash-generating units are first allocated to reduce the carrying amount of any goodwill allocated to those cash-generating units (or groups of units) and then, to reduce the carrying amount of the other assets in the units (groups of units) on a pro rata basis.

Individual impairment losses are losses which are specifically identified. General impairment losses are losses which are present in a portfolio of loans or receivables but not specifically identified.

The recoverable amount of the Group's investments in held-to-maturity securities, loans and receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

Loans and advances are reported net of allowances for loan losses to reflect the estimated recoverable amounts. Receivables are stated at their cost less impairment losses.

The recoverable amount of an available-for-sale asset is its current fair value. When there is objective evidence that it is impaired, the reduction in fair value originally recognised in equity is recognised in the income statement.

The recoverable amount of other assets is the greater of their fair value less the cost to sell and their value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of a held-to-maturity security, loan, advance or receivable, or an available-for-sale debt instrument is reversed through the income statement (up to the amount of the amortised cost) if the subsequent increase in recoverable amount can be attributed objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of available-for-sale equity instruments is not reversed through the income statement and any subsequent increase in fair value is recognised in equity.

An impairment loss in respect of goodwill is not reversed in a subsequent period.

In respect of other assets, an impairment loss is reversed through the income statement if there has been an increase in the recoverable amount and the increase can be objectively related to an event occurring after the date of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount of the asset that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

D.1.3. Cash and cash equivalents

Cash consists of cash on hand and demand deposits with banks and other financial institutions. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

D.1.4. Financial assets

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

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

The fair value of financial instruments is based on their quoted market price at the balance sheet date without any deduction for transaction costs. If a quoted market price is not available or if the market for an investment is not active, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management estimates and the discount rate is based on the market rate at the balance sheet date for an instrument with similar terms and conditions. Where pricing models are used, the inputs are based on market indicators as at the balance sheet date.

The fair value of derivatives that are not exchange-traded is the estimated amount that the Group would receive or pay to terminate the contract at the balance sheet date taking into account current market conditions and the current creditworthiness of the counterparties.

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

D.1.4.1. Financial assets available for sale

Available-for-sale financial assets are non-derivative financial assets that are not classified as loans and receivables, held to maturity investments, or financial assets at fair value through profit or loss. Available-for-sale financial assets include equity securities whose fair value cannot be reliably measured and selected bonds.

After initial recognition, the group measures financial assets available for sale at their fair values, without any deduction of the transaction costs that might be incurred upon their sale or other disposal, with the exception of instruments that do not have a quoted market price on an active market and whose fair value cannot be reliably measured, which are stated at cost, including transaction costs, less impairment losses.

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

D.1.4.2. Financial assets held to maturity

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

Financial assets held to maturity are valued at amortised cost less any impairment losses. Premiums and discounts are amortised over the life of the instrument using the effective interest rate method. The amortisation of premiums and discounts is recorded as interest income or an interest expense.

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

D.1.4.3. Financial assets at fair value through profit or loss

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

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

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

trading assets. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as financial liabilities at fair value through profit or loss.

The Group designates non-trading financial assets according to its investment strategy as at fair value through profit or loss if there is an active market and the fair value can be reliably measured.

Group companies providing insurance business designate as non-trading financial assets as at fair value through profit or loss equity securities whose fair value can be reliably measured and selected bonds not held for trading.

Companies within the Group providing non-insurance business designate as at fair value through profit or loss all financial assets other than those designated as held to maturity and loans and receivables.

Subsequent to initial recognition all financial assets at fair value through profit or loss, except for derivative instruments that are not exchange traded and financial assets that are not quoted on an active market, are measured at fair value based on the market price quoted on an active market. Gains and losses arising from changes in the fair values of financial assets at fair value through profit or loss are recognised in the income statement.

D.1.4.4. Loans and receivables

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

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

The Group enters into purchases (sales) of investments under agreements to resell (repurchase) substantially identical investments at a certain date in the future at a fixed price. Investments purchased subject to commitments to resell them at future dates are not recognised. The amounts paid are recognised in loans to either banks or non-banks. The receivables are shown as collateralised by the underlying security. Investments sold under repurchase agreements continue to be recognised in the balance sheet and are measured in accordance with the accounting policy as either assets held for trading or available-for-sale, as appropriate. The proceeds from the sale of the investments are reported as liabilities to either banks or non-banks.

The difference between the sale and repurchase considerations is recognised on an accrual basis over the period of the transaction and is included in interest.

D.1.4.5. Lease transactions

Loans and receivables include the Group's net investment in finance leases where the Group is acting as the lessor. The net investment in finance leases is the aggregate of the minimum lease payments and any unguaranteed residual value accruing to the lessor discounted at the interest rate implicit in the lease. Lease payments include repayment of the finance lease principal and

interest income. The recognition of the interest is based on a variable interest rate, which is applied to the net investment (principal) outstanding in respect of the finance lease. Income from finance leases is allocated over the lease term on a systematic basis.

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

D.1.5. Inventory

Inventories are stated at the lower of cost and net realisable value (being the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale). Where the net realisable value is below cost, inventories are written down to the lower value, and the impairment loss is recorded in the income statement.

D.1.6. Non-current assets held for sale

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before being classified as held for sale, the assets (or components of a disposal group) are measured in accordance with the applicable IFRS. Thereafter generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group is allocated to assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property and biological assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

D.1.7. Investment property

Investment properties are properties that are held either to earn rental income or for capital appreciation or for both. A property owned by the Group is treated as an investment property if it is not occupied by a Group company or if only an insignificant portion of the property is occupied by a Group company.

Subsequent to initial recognition all investment properties are measured at fair value. Fair value is determined annually by an independent expert's opinion. Any gain or loss arising from a change in fair value is recognised in the income statement. Rental income from investment property is accounted for over the lease term.

Property that is being constructed or developed for future use as investment property is classified as investment property and is measured at fair value. In case that the fair value is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete.

When an item of property, plant and equipment becomes an investment property following a change in its use, any gain arising at the date of transfer between the carrying amount of the item and its fair value, and the related deferred tax thereon, is recognised directly in equity. Upon disposal of the item, the gain is transferred to retained earnings. Any loss is recognised in the income statement immediately.

Subsequent expenditures relating to investment properties are capitalized if they extend the useful life of the assets, otherwise they are recognised as an expense.

D.1.8. Property, plant and equipment

Property, plant and equipment are valued at purchase price or production cost, less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided on a straight-line basis using the following rates:

| Item | Depreciation rate (%) |
|-------------------------------------|-------------------------|
| Land | - |
| Buildings | 1.00 - 10.00 |
| Other tangible assets and equipment | 6.67 - 33.33 |

Component parts of an asset which have different useful lives or provide benefits in a different pattern are recognised as separate assets with different depreciation rates.

The depreciation methods, useful lives and residual values, if not insignificant, are reassessed annually. If a material technical improvement is made to an asset during the year, its useful life and residual value is reassessed at the time a technical improvement is recognised.

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

D.1.9. Intangible assets

D.1.9.1. Goodwill and negative goodwill

The Group accounts for all business combinations, except business combinations determined to be reorganizations involving group companies under common control (refer to C.1), as acquisitions. Any excess of the cost of the acquisition over the fair value of the identifiable assets and liabilities acquired in a subsidiary as at the date of the exchange transaction is described as goodwill and recognised as an asset.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units at the date of the acquisition and is not amortised but instead tested for impairment, annually or more frequently if events or changes in circumstances indicate that it might be impaired.

Any excess, as at the date of the exchange transaction, of the fair value of the identifiable assets and liabilities acquired over the cost of the acquisition, is re-assessed and any excess remaining after that reassessment is recognised immediately in the income statement.

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

D.1.9.2. Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses. Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

Other intangible assets with finite useful lives are amortised on a straight-line basis over an average period of 3 – 5 years. The amortization methods, useful lives and residual values, if not insignificant, are reassessed annually. If a material technical improvement is made to an asset during the year, its useful life and a residual value is reassessed at the time a technical improvement is recognised.

Other intangible assets with indefinite useful lives are not amortised but are tested for impairment annually, or whenever there is an indication that the intangible asset may be impaired.

D.1.10. Equity

D.1.10.1. Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity.

D.1.10.2. Dividends

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

D.1.10.3. Minority interests

Minority interests consist of the minority shareholders' proportion of the fair values of a subsidiary's net assets, at the date of the original combination, plus or minus their share of changes in the subsidiary's equity since that date.

D.1.11. Debt securities issued

Debt securities issued are recognised initially at fair value, net of transaction costs, and subsequently carried at amortised cost. Amortisation of discounts or premiums and interest is recognised in interest expenses and similar charges using the effective interest rate method.

D.1.12. Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are liabilities classified as held for trading, which include derivative liabilities that are not hedging instruments and obligations to deliver securities borrowed by a short seller. Financial liabilities at fair value through profit or loss are measured at fair value and the relevant gains and losses from this revaluation are included in the income statement.

D.1.13. Liabilities due to non-banks and due to banks

Liabilities due to non-banks and due to banks are recognised initially at fair value, net of transaction costs, and subsequently valued at their amortised cost. The amortised cost of a financial liability is the amount at which the financial liability was measured upon initial recognition minus principal repayments, plus or minus the cumulative amortisation of any difference between that initial amount and the maturity amount.

D.1.14. Other liabilities

Accounts payable arise when the Group has a contractual obligation to deliver cash or another financial asset. Accounts payable are measured at amortised cost, which is normally equal to their nominal or repayment value.

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reasonable estimate can be made of the amount of the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

D.1.15. Interest income and interest expense

Interest income and interest expense are recognised in the income statement on an accrual basis, taking into account the effective yield of the asset or liability, or the applicable floating rate. Interest income and interest expenses includes the amortisation of any discounts or premiums or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated using the effective interest rate method.

D.1.16. Net fee and commission income

Fee and commission income arise from financial services provided by the Group including cash management services, payment clearing, investment advice and financial planning, investment banking services, and asset management services. Fee and commission expenses arise on financial services provided by the Group including brokerage services, payment clearing, and asset management services. Fee and commission income and expenses are recognised when the corresponding service is provided.

D.1.17. Net gain/loss on financial assets

Net gain/loss on financial assets comprises net trading income, net gains on financial assets at fair value through profit or loss that are not held for trading, net realised gains and dividends.

Net trading income arises from the subsequent measurement of “Trading assets” and “Trading liabilities” to fair value or from their disposal. The amount of trading income to be recorded represents the difference between the latest carrying value and the sale price or between the latest carrying value and the fair value as at the date of the financial statements.

Net gains on financial assets at fair value through profit or loss that are not held for trading arise from their subsequent measurement to fair value or from their disposal.

A realised gain/loss arises on de-recognition of financial assets other than financial assets at fair value through profit or loss. The amount of the realised gain/loss represents the difference between the carrying value of the financial asset and the sale price adjusted for any cumulative gain or loss that had been recognised directly in equity.

Dividends from financial assets are recorded in the income statement once declared and approved by the shareholders’ meeting of the respective company.

D.1.18. Other income and other expenses

D.1.18.1. Goods sold and services rendered

Revenue from the sale of goods and the associated cost of sales are recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the balance sheet date. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of the goods.

D.1.18.2. Rental income

Rental income from investment properties and other operating leases is recognised in the income statement on a straight-line basis over the term of the lease. Granted lease incentives are recognised as an integral part of the total rental income.

D.1.18.3. Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Granted lease incentives are recognised as an integral part of the total lease expense.

D.1.19. General administrative expenses

General administrative expenses include expenses relating to the running of the Group. These include personnel costs, office rental expenses and other operating expenses. Staff costs include employees’ salaries and wages, management remuneration and bonuses and social insurance.

Within insurance operations, administrative expenses include the costs of premium collection, portfolio administration and the processing of inward and outward reinsurance.

Within banking operations, administrative expenses include the costs of processing payments, maintaining customer accounts and records and dealing with customers.

D.1.20. Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using the tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

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

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

D.1.21. Net profit allocated to minority interests

Net profit allocated to minority interests is that part of the net results of the Group attributable to interests which are not owned, directly, or indirectly through subsidiaries, by the equity holders of the Parent Company.

D.1.22. Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographic segment), which is subject to risks and rewards that are different from other segments.

D.2. Significant accounting policies applicable for insurance business

Till 15 January 2008 the Group controlled CZIH Group representing insurance business as a significant part of the Group activities. As a result of the Generali transaction the insurance business, that is now part of new insurance holding, represents the biggest investment in associate accounted for using equity method. The following chapters describe the most significant policies affecting accounting treatment of insurance business (the “Insurance Group”).

D.2.1. Discretionary participation features (DPF)

A discretionary participation feature (DPF) represents a contractual right to receive, as a supplement to the guaranteed benefits, additional benefits that constitute a significant portion of the total contractual benefits, whose amount or timing is at the discretion of the Insurance Group. As the amount of bonus to be allocated to policyholders is irrevocably fixed at the balance sheet date, the amount is presented as a guaranteed liability in the financial statements.

D.2.2. Present value of future profits

On acquisition of a portfolio of long-term insurance contracts, the net present value of the shareholders’ interest in the expected after tax cash flows of the portfolio acquired is capitalized as an asset. This asset is referred to as the Present Value of Future Profits (“PVFP”).

D.2.3. Reinsurance assets

Reinsurance assets comprise the actual or estimated amounts, which, under contractual reinsurance arrangements, are recoverable from reinsurers in respect of technical provisions.

D.2.4. Deferred acquisition costs

Acquisition costs are costs that are incurred in connection with the acquisition of new insurance contracts and the renewal of existing contracts. Only certain (“deferrable”) acquisition costs are deferred, such as agents’ commissions and other variable underwriting and policy issue costs.

In respect of non-life insurance, a proportion of the related acquisition costs are deferred. Acquisition costs in respect of life insurance contracts and investment contracts with DPF are charged directly to the income statement as incurred.

D.2.5. Insurance liabilities**D.2.5.1. Provision for unearned premiums**

The provision for unearned premiums comprises that part of gross premiums written attributable to the following financial year or to subsequent financial years, calculated separately for each insurance contract. A provision for unearned premiums is created for both life insurance and non-life insurance.

D.2.5.2. Life insurance provision

The life insurance provision comprises the actuarially estimated value of the Insurance Group's liabilities under life insurance contracts. The provision remains unchanged unless a liability inadequacy arises. A liability adequacy test (LAT) is performed at each reporting date by the Insurance Group's actuaries using current estimates of the future cash flows under its insurance contracts.

D.2.5.3. Provision for outstanding claims

The provision for outstanding claims represents the total estimated cost of settling all claims arising from events which have occurred up to the end of the financial year, whether reported or not, less amounts already paid in respect of such claims. The provision includes claims reported by policyholders but not settled (RBNS) and claims incurred but not reported (IBNR).

D.2.5.4. DPF liability for insurance contracts

The DPF (Discretionary Participation Feature) liability represents the contractual liability to provide significant benefits in addition to the guaranteed benefits, which are based on the performance of a defined pool of assets, the profit or loss of the company or the achieved investment returns.

D.2.5.5. Other insurance provisions

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

D.2.5.6. Financial liabilities for investment contracts with DPF

Financial liabilities for investment contracts with DPF represent liabilities to policyholders under contracts entered into by insurance companies or pension funds which include DPF but which are considered investment contracts because they do not lead to the transfer of significant insurance risk from the policyholder to the Insurance Group and do not therefore meet the definition of an insurance contract.

D.2.6. Hedge accounting

The Insurance Group has introduced the hedge accounting method, thus accounting for the cash flow hedge on interest expense rates and exchange rate. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized directly in shareholders' equity reserves. The ineffective portion is recognized in profit or loss.

D.2.7. Net assets attributable to unit-holders

Net assets attributable to unit-holders represent third-party unit-holders' residual interests in the net assets of open-end mutual funds. Since the units may be sold back to the issuer in exchange for an amount of cash or other financial assets at any time this amount represents a liability of the Insurance Group.

D.2.8. Net insurance premium revenue

Net insurance premium revenue includes gross premiums written from direct insurance business and assumed (inwards) reinsurance business, net of premiums ceded to reinsurers.

D.2.9. Net insurance claims and benefits

Insurance technical charges include claims (benefit) expenses, the change in technical provisions and rebates and profit sharing. Claims expenses are represented by benefits and surrenders, net of reinsurance. Benefits and claims comprise all payments made in respect of the financial year: annuities, surrenders, additions and releases of loss provisions to and from ceding insurance enterprises and reinsurers, and external and internal claims management costs.

D.2.10. Investment contract benefits

Investment contract benefits represent the changes in financial liabilities resulting from investment contracts. The change in financial liabilities from investment contracts with DPF includes the guaranteed benefits credited, the change in DPF liabilities from investment contracts and the change in the liability resulting from the liability adequacy test of investment contracts with DPF.

D.2.11. Acquisition costs

Acquisition costs are costs arising from the conclusion of insurance or investment contracts and include direct costs, such as acquisition commissions, and indirect costs, such as advertising costs or administrative expenses.

In non-life insurance, acquisition costs that vary with and are directly related to the acquisition of new policies or the renewal of existing policies are deferred. For life insurance policies and investment contracts with DPF, acquisition costs are charged to the income statement as incurred.

D.2.12. Reinsurance commissions and profit participations

Reinsurance commissions and profit participations include commissions received or receivable from reinsurers and profit participations based on reinsurance contracts. Non-life reinsurance commissions are deferred in a manner consistent with the deferral of acquisition costs in non-life insurance.

D.2.13. Non-uniform accounting policies of subsidiaries

The Insurance Group has taken advantage of the exemption available under IFRS 4.25(c) to continue using non-uniform accounting policies for insurance contracts (and investment contracts with DPF) of subsidiaries. As such amounts received from policyholders under investment contracts with DPF issued by Czech pension fund subsidiaries continue to be recognised as deposits.

D.3. Changes in accounting policies and accounting pronouncements adopted since 1 January 2008

D.3.1. Amendments and interpretations of IFRS adopted since 1 January 2008

The following published amendments and interpretations to existing standards are mandatory and relevant for the Group's accounting periods and have been applied by the Group since 1 January 2008:

IFRIC 12 Service Concession Arrangements (effective from 1 January 2008)

Service concessions are arrangements whereby a government or other public sector entity grants contracts for the supply of public services (such as roads, airports, energy and water supply and distribution facilities) to private sector operators. Control of the assets remains in public hands but the private sector operator is responsible for construction activities, as well as for operating and maintaining the public sector infrastructure. IFRIC 12 addresses how service concession operators should apply existing International Financial Reporting Standards (IFRSs) to account for the obligations they undertake and rights they receive in service concession arrangements. This treatment was not previously relevant for the Group and it will be applied for newly occurring events.

IAS 39 Financial Instruments: Recognition and Measurement and *IFRS 7 Financial Instruments: Disclosures* (effective from 1 July 2008)

The amendments deal separately with reclassifications of loans and receivables and with reclassifications of other financial assets. The amendments permit loans and receivables to be reclassified from the held for trading or available for sale categories if the entity has the intent and ability to hold the financial asset for the foreseeable future. The amendments also allow non-derivative financial assets classified as held for trading to be reclassified in *rare circumstances*. Assets designated as fair value through profit and loss upon initial recognition may not be reclassified. The amendment was not used by the Group in 2008.

D.3.2. Change in presentation currency

As described in A.3 the Group changed its presentation currency from CZK to EUR since 1 January 2008. This change has been applied retrospectively and comparative figures have been restated.

Comparative figures from the income statement have been translated by using average foreign exchange rate for 2007.

Comparative balance sheet figures as at 31 December 2007 have been translated by using foreign exchange rate as at 31 December 2007. In the statement of changes in equity 2008 to balances as of 1 January 2008 have been translated in the same way as balance sheet figures with the exception of profit for the year 2007 that has been translated by using average foreign exchange rate for the year 2007.

In the statement of changes in equity 2007 the total equity has been translated using appropriate closing rates for each balance sheet date however the individual items have been translated using conversion rate (closing rate 2007) with corresponding change in the translation reserve.

D.4. Application of standards and interpretations before the effective date

The Group has taken advantage of applying amendment to IAS 40 Investment Property before the effective date. The *Improvements to IFRSs 2008* issued in May 2008 amended IAS 40 to include within its scope property under construction or development for future use as an investment property. This amendment is mandatory from 1 January 2009 and the Group applied this amendment prospectively from 1 January 2008.

D.5. Standards, interpretations and amendments to published standards that are not yet effective and are relevant for the Group's financial statements

The following new standards, amendments and interpretations to existing standards have been published and are mandatory and relevant for the Group's accounting periods beginning on or after 1 January 2008 but have not been applied earlier by the Group:

IFRIC 13 Customer Loyalty Programmes (effective from 1 July 2008)

IFRIC 13 addresses how companies, that grant their customers loyalty award credits (often called 'points') when buying goods or services, should account for their obligation to provide free or discounted goods or services if and when the customers redeem the points. IFRIC 13 is based on a view that customers are implicitly paying for the points they receive when they buy other goods or services, and hence that some revenue should be allocated to the points. IFRIC 13 requires companies to estimate the value of the points to the customer and defer this amount of revenue as a liability until they have fulfilled their obligations to supply awards. This treatment was not previously relevant for the Group and it will be applied for newly occurring events.

IFRS 8 – Operating segments (effective from 1 January 2009)

This standard requires an entity to adopt the 'management approach' to reporting on the financial performance of its operating segments. Generally, the information to be reported would be that which management uses internally for evaluating segment performance and deciding how to allocate resources to operating segments. Such information may be different from what is used to prepare the income statement and balance sheet. The standard therefore requires explanations of the basis on which the segment information is prepared and reconciliations to the amounts recognised in the income statement and balance sheet. This standard replaces IAS 14 Segment reporting and applies only to listed entities. The Group will apply IFRS 8 from the annual period beginning 1 January 2009.

Amendment to IAS 23, Borrowing Costs (effective from 1 January 2009)

This amendment removes the option of immediately recognizing as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. The revised

standard requires that an entity capitalises such borrowing costs as part of the cost of that asset. This was a permitted alternative treatment under IAS 23. This treatment was not previously relevant for the Group and it will be applied for newly occurring events.

Amendment to IAS 1 Presentation of Financial Statements (effective from 1 January 2009)

This revision especially introduces a statement of comprehensive income. This will enable users of the financial statements to analyse changes in a company's equity resulting from transactions with its owners in their capacity as owners (such as dividends and share repurchases) separately from 'non-owner' changes (such as transactions with third parties. The revised standard allows items of income and expense and components of other comprehensive income either to be presented in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). The Group will apply this amendment from the annual period beginning 1 January 2009.

Amendment to IAS 32 Financial Instruments Presentation and IAS 1 Presentation of Financial Statements, revised in February 2008 (effective from 1 January 2009)

Prior to this amendment, IAS 32 required shareholders' interests in limited liability companies to be classified as liabilities because such companies are obliged to pay a withdrawing shareholder its share of the company's net assets. Following amendment, IAS 32 requires such interests to be classified as equity, rather than liabilities, because they represent a residual interest in the entity.

Amendment to Appendix of IAS 18 Revenue (effective from 1 January 2009)

This amendment eliminates the mismatch in the definition of transaction costs (as defined in IAS 39 Financial Instruments: Recognition and Measurement) and related direct costs (as previously defined in IAS 18). Under the amended standard only related transaction costs (as defined in IAS 39) can be deferred and recognized as an adjustment to the effective interest rate.

Amendment to IFRS 3 Business Combinations and related revisions to IAS 27 Consolidated and Separate Financial Statements (effective from 1 January 2009)

In the new version of IFRS 3, transaction costs directly attributable to the acquisition are no longer included in the cost of the business combination. Furthermore, under IFRS 3 the acquirer can elect to measure any non-controlling interest at fair value at the acquisition date or at its proportionate interest in the fair value of the identifiable assets and liabilities of the acquiree, on a transaction-by transaction basis.

The International Accounting Standards Board made certain amendments to existing standards as part of its first annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Group's 2009 financial statements.

E. Risk exposures, risk management objectives and procedures

This section provides details of the Group's exposure to risk and describes the methods used by the management to control risk. The most important types of financial risk to which the Group is exposed are credit risk, liquidity risk, market risk and operational risk. Market risk includes currency risk, interest rate risk and equity price risk. In 2008 the Group lost control over all entities providing insurance business by signing the closing agreement related to the creation of Generali PPF Holding B.V. and insurance risk is therefore not relevant.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. Home Credit subgroup has established the Asset Liability Committee (ALCO) and the Credit Risk Department, which are responsible for developing and monitoring risk management policies in their specified areas. Similar structure works for PPF banka a.s. For the rest of the Group the Board has established Group Asset Liability Committee (ALCO) however in the second half of 2008 its existence was replaced by day to day joint management of the Group top management, the Board and also all three shareholders implemented due to financial crisis. This solution enables immediate reaction on rapid market changes and due to its flexibility it gives competitive advantage for the Group. The situation continues in early 2009.

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

Management of the risk arising from participating in the foreign subsidiaries and risk arising from financial instruments is fundamental to the Company's business and is an essential element of the Company's operations. The major risks related to participating in foreign subsidiaries is the risk of impairment due to adverse economic conditions, movements in foreign exchange rates and liquidity risk given the strong growth in the emerging markets. Those risks are managed by Company by monitoring the development on foreign markets, using robust investment decision process and proper liquidity management. Financial instrument risks faced by the Company are those related to credit exposures, movements in interest rates and foreign exchange rates.

All the facts mentioned in the following sections relates to PPF Group N.V. and all entities under its control. The risk management of newly established insurance holding Generali PPF Holding B.V. uses the rules and principles of Generali Group. The Group (PPF Group N.V.) regularly monitors and analyses the situation in the insurance holding from the position of the minority shareholder executing its significant influence through the corporate governance rules agreed with Generali.

The risk management of other significant associates is driven by controlling or major shareholders. The Group (PPF Group N.V.) regularly monitors and analyses the situation in the companies from the position of the minority shareholder executing its significant influence through existing representatives in executive bodies.

E.1. Derivative financial instruments

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

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

E.1.1. Swaps

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

E.1.2. Futures and forwards

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

E.1.3. Options

Options are derivative financial instruments that give the buyer, in exchange for a premium payment, the right, but not the obligation, to either purchase from (call option) or sell to (put option) the writer a specified underlying instrument at a specified price on or before a specified date. The Group enters into interest rate options, foreign exchange options, equity and index options and credit failure options (swaps). Interest rate options, including caps and floors, may

be used as hedges against a rise or fall in interest rates. They provide protection against changes in interest rates of floating rate instruments above or below a specified level. Foreign currency options may also be used (commensurate with the type of option) to hedge against rising or falling currency rates. The Group as a buyer of over-the-counter options is subject to market risk and credit risk since the counter party is obliged to make payments under the terms of the contract if the Group exercises the option. As the writer of over-the-counter options, the Group is subject to market or credit risk, as it is obliged to make payments if the option is exercised by the counterparty.

E.1.4. Other derivatives

In connection to some significant acquisitions the Group negotiated different over-the-counter contracts. Those existing at the balance sheet date are described in F.2.1 and valued at fair value using external or internal valuations.

E.2. Credit risk

Credit risk is the risk of financial loss occurring as a result of default by a borrower or counterparty on their obligation to the Group. The majority of the Group's exposure to credit risk arises in connection with the provision of consumer financing to private individual customers, which is the Group's principal business. For risk management purposes, the Group classifies the loans to individual customers into several classes where the significant ones are consumer loans, revolving loans, cash loans, car loans and mortgage loans. As the Group's loan portfolio consists of large amount of loans with relatively low outstanding amounts, the loan portfolio does not comprise any significant individual items. The remaining part of Group's exposures to credit risk is related to financial assets at fair value through profit or loss and financial assets available-for-sale.

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

- Formulating credit policies in consultation with business units covering credit assessment, underwriting policies, collection policies and risk reporting by business units and loan classes;
- Establishing the authorization structure for the approval and renewal of credit facilities. Authorization limits are allocated to business units management, large exposures and new types of exposures require Group approval. The Group uses one central loan administration system to facilitate loan underwriting;
- Continuous monitoring of performance of individual Group's credit exposures by countries, product classes and distribution channels;
- Limiting concentrations of credit exposures by countries, product classes and distribution channels;
- Reviewing compliance of business units with agreed exposure limits;
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Group in the management of credit risk.

PPF Group N.V.*Notes to the consolidated financial statements for the year ended 31 December 2008*

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

As a result of recent negative development on financial markets credit environment in some of the countries the Home Credit Group's operates in has deteriorated. The Home Credit Group has taken adequate measures in its underwriting and collection policies in order to limit the negative impact of such market changes. Consequently, the impact of the negative credit development on the Home Credit Group's financial position is insignificant.

All other banking institutions being part of the PPF Group (PPF banka and Nomos-Bank) have their own independent Credit risk management procedures similar to Home Credit Group.

Other individual significant credit exposures to third parties are monitored by the Group top management, Board of Directors and also shareholders on individual basis. The monitoring and assessment does not include only monitoring of individual exposures, but also country and sector concentration.

The following table shows Group's exposure to credit risk:

In millions of EUR as at 31 December

| | Loans and advances to customers and Other loans and receivables | |
|--------------------------------------|--|--------------|
| | 2008 | 2007 |
| Individually impaired | | |
| Gross amount | 27 | 8 |
| Allowance for impairment | (6) | - |
| Carrying amount | 21 | 8 |
| Collectively impaired | | |
| Current | 2 166 | 2 093 |
| 1-90 days after maturity | 361 | 301 |
| 91-365 days after maturity | 255 | 211 |
| >365 days after maturity | 100 | 141 |
| Gross amount | 2 882 | 2 746 |
| Allowance for impairment | (373) | (367) |
| Carrying amount | 2 509 | 2 379 |
| Neither past due nor impaired | | |
| Carrying amount | 1 273 | 215 |
| Total carrying amount | 3 803 | 2 602 |

The Group has no receivables past due but not impaired.

PPF Group N.V.*Notes to the consolidated financial statements for the year ended 31 December 2008*

The Group holds collateral for loans and advances to non-banks in the form of mortgage interests over property, debt or equity securities and received guarantees. Collateral for loans and advances to banks are held only as part of reverse repurchase agreement or securities borrowing activity.

These transactions are conducted under usual terms and conditions of standard lending and securities borrowing or lending activities.

The following table shows the fair value of collateral held:

In millions of EUR as at 31 December

| | Loans and advances to banks | Loans and advances to banks | Loans and advances to customers | Loans and advances to customers | Other loans and receivables |
|--|-----------------------------------|-----------------------------------|---------------------------------------|---------------------------------------|-----------------------------------|
| | 2008 | 2007 | 2008 | 2007 | 2008 |
| Against individually impaired | - | - | 4 | 65 | - |
| Property | - | - | 4 | 1 | - |
| Other | - | - | - | 64 | - |
| Against collectively impaired | - | - | 434 | 71 | - |
| Property | - | - | 368 | - | - |
| Deposits with banks | - | - | 1 | - | - |
| Other | - | - | 65 | - | - |
| Against neither past due nor impaired | 283 | 141 | 336 | 440 | 212 |
| Securities received under reverse repo | 283 | 108 | 105 | 22 | 71 |
| Property | - | - | 78 | - | - |
| Debt securities | - | - | - | - | 141 |
| Deposits with banks | - | - | 3 | - | - |
| Other | - | 33 | 150 | 418 | - |
| Total | 283 | 141 | 774 | 576 | 212 |

The total value of property received as collateral in amount of MEUR 1 305 (refer to F.28.3) consists of the fair value stated above (MEUR 1 269), the residual amount represents collateral received for provided guarantees.

Concentrations of credit risk arise where groups of counterparties have similar economic characteristics that would cause their ability to meet their contractual obligations to be similarly affected by changes in economic or other conditions.

PPF Group N.V.

Notes to the consolidated financial statements for the year ended 31 December 2008

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

In millions of EUR, for the year ended 31 December

| | 2008 | 2008 | 2007 | 2007 |
|--|--------------|----------------|--------------|----------------|
| <u>Economic concentration</u> | | | | |
| Financial services | 1 826 | 23.57% | 459 | 10.59% |
| Public sector | 188 | 2.42% | 52 | 1.20% |
| Information and communication technologies producers | 4 | 0.05% | 72 | 1.66% |
| Telecom providers | - | - | 28 | 0.65% |
| Construction | 17 | 0.23% | 122 | 2.81% |
| Households/Individuals | 4 396 | 56.75% | 3 289 | 75.87% |
| Other | 1 316 | 16.98% | 313 | 7.22% |
| Total | 7 747 | 100.00% | 4 335 | 100.00% |
| <u>Geographic concentration</u> | | | | |
| Czech Republic | 2 278 | 29.40% | 1 173 | 27.06% |
| Slovak Republic | 463 | 5.97% | 224 | 5.17% |
| Russia | 3 459 | 44.66% | 2 330 | 53.74% |
| Netherlands | 45 | 0.58% | 19 | 0.44% |
| Cyprus | 124 | 1.60% | 14 | 0.32% |
| Other EU countries | 194 | 2.50% | 28 | 0.65% |
| Other | 1 184 | 15.29% | 547 | 12.62% |
| Total | 7 747 | 100.00% | 4 335 | 100.00% |
| Thereof: | | | | |
| Financial assets excluding equity securities | 5 464 | 70.52% | 3 168 | 73.08% |
| Commitments and contingent liabilities | 1 663 | 21.47% | 1 167 | 26.91% |
| Assets pledged as securities (excl. investments in associates) | 620 | 8.01% | - | - |

The amounts reflected in the tables represent the maximum accounting loss that would be recognised at the balance sheet date if the counter parties failed completely to meet their obligations and any collateral or security proved to be of no value. The amounts, therefore, greatly exceed the expected losses, which are included in the allowance for uncollectibility. The table comprises off-balance sheet items (refer to F.28.1) and financial assets except equity securities.

E.3. Liquidity risk

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

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

All liquidity policies and procedures as well as liquidity position projections are subject to review and approval by ALCO.

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

The Group has access to a diverse funding base. Funds are raised using a broad range of instruments including deposits, bank loans, bond issues and securitizations. In January 2008 the Group gained syndicated loan facility of MEUR 2 099 significantly influencing its liquidity position. As of 31 December 2008 the total amount drawn from the facility reached MEUR 1 850. This enhances funding flexibility, limits dependence on any one source of funds and generally lowers the cost of funds. Management strives to maintain a balance between continuity of funding and flexibility through use of liabilities with a range of maturities.

In November 2008, Home Credit and Finance Bank (LLC) became eligible for unsecured credit facilities granted by CBR. The available credit limit is recalculated on monthly basis based on the company's equity calculated in accordance with the Russian Banking Accounting Standards, and as of 31 December 2008 amounted to MEUR 465.

The liquidity risk analysis as at 31 December 2008 stated below indicates several facilities maturing in 2009 (refer also to F.10 and F.11). The management is currently in the process of negotiating refinancing of these facilities.

PPF Group N.V.*Notes to the consolidated financial statements for the year ended 31 December 2008**In millions of EUR, for the year ended 31 December 2008*

| | Less than 1 month | Between 1 and 3 months | Between 3 months and 1 year | Between 1 and 5 years | More than 5 years | Non- specified | Total |
|---|----------------------|------------------------------|-----------------------------------|-----------------------------|----------------------|-------------------|--------------|
| Cash and cash equivalents | 852 | - | - | - | - | - | 852 |
| Financial assets at fair value through profit or loss | 88 | 20 | 226 | 74 | 52 | 145 | 605 |
| Held for trading | 19 | 20 | 226 | 74 | 52 | 145 | 536 |
| Not held for trading | 69 | - | - | - | - | - | 69 |
| Financial assets available for sale | 22 | 24 | - | - | - | 118 | 164 |
| Loans and receivables due from banks and other fin. institutions | 566 | 67 | 54 | 56 | - | 15 | 758 |
| Loans and receivables due from non-banks | 252 | 390 | 1 095 | 889 | 224 | - | 2 850 |
| Other loans and receivables | 86 | - | 394 | 44 | - | 429 | 953 |
| Other assets | 23 | 5 | 145 | 16 | 2 | 92 | 283 |
| Total financial assets | 1 889 | 506 | 1 914 | 1 079 | 278 | 799 | 6 465 |

In millions of EUR, for the year ended 31 December 2008

| | Less than 1 month | Between 1 and 3 months | Between 3 months and 1 year | Between 1 and 5 years | More than 5 years | Non- specified | Total |
|---|----------------------|------------------------------|-----------------------------------|-----------------------------|----------------------|-------------------|--------------|
| Due to non-banks | 947 | 204 | 304 | 1 | - | - | 1 456 |
| Due to banks and other fin. institutions | 197 | 165 | 517 | 306 | 2 008 | - | 3 193 |
| Debt securities issued | 31 | 19 | 412 | 1 120 | 201 | - | 1 783 |
| Financial liabilities at fair value through profit or loss | 34 | 12 | 20 | 22 | 5 | - | 93 |
| Other liabilities | 135 | 17 | 34 | 1 | - | 7 | 194 |
| Total financial liabilities | 1 344 | 417 | 1 287 | 1 450 | 2 214 | 7 | 6 719 |

The Calyon facility is drawn in 1, 3, 6 months tranches, however the facility is available till 2013. Therefore the amount drawn as at 31 December 2008 is included in the interval “More than 5 years” (line Due to banks and other fin. institutions).

PPF Group N.V.*Notes to the consolidated financial statements for the year ended 31 December 2008**In millions of EUR, for the year ended 31 December 2007*

| | Less than 1 month | Between 1 and 3 months | Between 3 months and 1 year | Between 1 and 5 years | More than 5 years | Non- specified | Total |
|---|----------------------|------------------------------|-----------------------------------|-----------------------------|----------------------|-------------------|--------------|
| Cash and cash equivalents | 499 | - | - | - | - | - | 499 |
| Financial assets at fair value through profit or loss | 3 | 3 | 20 | 41 | 10 | 37 | 114 |
| Held for trading | 3 | 3 | 20 | 41 | 10 | 37 | 114 |
| Financial assets available for sale | 2 | 19 | - | - | - | 223 | 244 |
| Loans and receivables due from banks and other fin. institutions | 299 | 56 | 40 | 7 | - | 19 | 421 |
| Loans and receivables due from non-banks | 126 | 191 | 1 147 | 968 | 170 | - | 2 602 |
| Other assets | 7 | 24 | 3 | - | - | 19 | 53 |
| Total financial assets | 936 | 293 | 1 210 | 1 016 | 180 | 298 | 3 933 |

In millions of EUR, for the year ended 31 December 2007

| | Less than 1 month | Between 1 and 3 months | Between 3 months and 1 year | Between 1 and 5 years | More than 5 years | Non- specified | Total |
|---|----------------------|------------------------------|-----------------------------------|-----------------------------|----------------------|-------------------|--------------|
| Due to non-banks | 580 | 18 | 64 | 42 | - | 8 | 712 |
| Due to banks and other fin. institutions | 473 | 27 | 319 | 5 | 42 | - | 866 |
| Debt securities issued | 647 | 105 | 340 | 366 | - | - | 1 458 |
| Financial liabilities at fair value through profit or loss | 29 | 9 | 12 | - | - | - | 50 |
| Other liabilities | 35 | 16 | 24 | 1 | - | 16 | 92 |
| Total financial liabilities | 1 764 | 175 | 759 | 414 | 42 | 24 | 3 178 |

E.4. Market risk

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

The majority of the Group's exposure to market risk arises in connection with the funding of the Group's operations with liabilities denominated in foreign currencies, and to the extent the term structure of interest bearing assets differs from that of liabilities.

The Group manages its use of trading instruments in response to changing market conditions. Exposure to market risk is formally managed in accordance with risk limits or frameworks set by senior management by buying or selling instruments or entering into offsetting positions.

E.4.1. Interest rate risk

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

Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. The ALCO is the monitoring body for compliance with these limits. As part of its management of this position, the Group uses interest rate derivatives (refer to F.2.1).

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

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered include a 100 basis point parallel fall or rise in all yield curves worldwide. In such case, the net interest income for the year ended 31 December 2008 would be approximately MEUR 18 higher/lower (the year ended 31 December 2007: MEUR 16). The above sensitivity analysis is based on amortized costs of assets and liabilities.

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

PPF Group N.V.*Notes to the consolidated financial statements for the year ended 31 December 2008**In millions of EUR, for the year ended 31 December 2008*

| | Effective interest rate | Less than 3 months | Between 3 months and 1 year | Between 1 and 2 years | Between 2 and 5 years | More than 5 years | Non- specified | Total |
|---|-------------------------------|-----------------------|--------------------------------------|-----------------------------|-----------------------------|-------------------------|-------------------|--------------|
| Cash and cash equivalents | 8.74% | 852 | - | - | - | - | - | 852 |
| Financial assets at fair value through profit or loss | 5.76% | 125 | 217 | 28 | 39 | 51 | 145 | 605 |
| Held for trading | 4.33% | 56 | 217 | 28 | 39 | 51 | 145 | 536 |
| Not held for trading | 9.89% | 69 | - | - | - | - | - | 69 |
| Financial assets available for sale | - | 46 | - | - | - | - | 118 | 164 |
| Loans and receivables due from banks and other fin. institutions | 3.95% | 725 | 17 | 12 | 1 | - | 3 | 758 |
| Loans and receivables due from non-banks | 32.33% | 767 | 1 053 | 555 | 290 | 185 | - | 2 850 |
| Other loans and receivables | 8.31% | 86 | 823 | - | 44 | - | - | 953 |
| Other assets | - | 28 | 145 | 5 | 11 | 2 | 92 | 283 |
| Total financial assets | - | 2 629 | 2 255 | 600 | 385 | 238 | 358 | 6 465 |

In millions of EUR, for the year ended 31 December 2008

| | Effective interest rate | Less than 3 months | Between 3 months and 1 year | Between 1 and 2 years | Between 2 and 5 years | More than 5 years | Non- specified | Total |
|---|-------------------------------|-----------------------|--------------------------------------|-----------------------------|-----------------------------|-------------------------|-------------------|--------------|
| Due to non-banks | 5.38% | 1 151 | 304 | 1 | - | - | - | 1 456 |
| Due to banks and other fin. Institutions | 5.79% | 2 283 | 609 | 1 | 300 | - | - | 3 193 |
| Debt securities issued | 11.48% | 702 | 714 | 367 | - | - | - | 1 783 |
| Financial liabilities at fair value through profit or loss | - | 49 | 22 | - | 22 | - | - | 93 |
| Other liabilities | - | 154 | 33 | - | - | - | 7 | 194 |
| Total financial liabilities | - | 4 339 | 1 682 | 369 | 322 | - | 7 | 6 719 |

PPF Group N.V.*Notes to the consolidated financial statements for the year ended 31 December 2008**In millions of EUR, for the year ended 31 December 2007*

| | Effective interest rate | Less than 3 months | Between 3 months and 1 year | Between 1 and 2 years | Between 2 and 5 years | More than 5 years | Non- specified | Total |
|---|-------------------------------|--------------------------|-----------------------------------|-----------------------------|-----------------------------|-------------------------|-------------------|--------------|
| Cash and cash equivalents | 2.15% | 499 | - | - | - | - | - | 499 |
| Financial assets at fair value through profit or loss | 6.90% | 16 | 24 | 10 | 17 | 10 | 37 | 114 |
| Held for trading | 6.90% | 16 | 24 | 10 | 17 | 10 | 37 | 114 |
| Financial assets available for sale | 4.03% | 21 | - | - | - | - | 223 | 244 |
| Loans and receivables due from banks and other fin. institutions | 4.18% | 355 | 40 | 7 | - | - | 19 | 421 |
| Loans and receivables due from non-banks | 33.59% | 451 | 1 083 | 600 | 303 | 165 | 0 | 2 602 |
| Other assets | - | 31 | 2 | - | - | - | 20 | 53 |
| Total financial assets | - | 1 373 | 1 149 | 617 | 320 | 175 | 299 | 3 933 |

In millions of EUR, for the year ended 31 December 2007

| | Effective interest rate | Less than 3 months | Between 3 months and 1 year | Between 1 and 2 years | Between 2 and 5 years | More than 5 years | Non- specified | Total |
|---|-------------------------------|-----------------------|-----------------------------------|-----------------------------|-----------------------------|-------------------------|-------------------|--------------|
| Due to non-banks | 2.19% | 598 | 63 | 43 | - | - | 8 | 712 |
| Due to banks and other fin. institutions | 7.04% | 503 | 316 | 1 | 4 | 42 | - | 866 |
| Debt securities issued | 8.30% | 951 | 340 | 78 | 89 | - | - | 1 458 |
| Financial liabilities at fair value through profit or loss | 2.04% | 38 | 12 | - | - | - | - | 50 |
| Other liabilities | - | 56 | 20 | - | - | - | 16 | 92 |
| Total financial liabilities | - | 2 146 | 751 | 122 | 93 | 42 | 24 | 3 178 |

E.4.2. Equity price risk

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

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

E.4.3. Currency risk

The Group is exposed to currency risk through transactions in foreign currencies and through its assets and liabilities denominated in foreign currencies. Foreign currency risk arises when the actual or forecast assets in a foreign currency are either greater or less than the liabilities in that currency.

The Group's main foreign exposures are to European and Asian countries in which the Group operates. Its exposures are measured mainly in US Dollars, Russian Roubles, Czech Crowns, Slovakian Crowns, Ukrainian Hryvnias and Chinese Yuan. As the functional currency in which the Group presents its consolidated financial statements is EUR, movements in the exchange rates between these currencies and the EUR affect the Group financial statements.

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

PPF Group N.V.*Notes to the consolidated financial statements for the year ended 31 December 2008*

The following tables show the composition of financial assets and liabilities with respect to the main currencies:

In millions of EUR, for the year ended 31 December 2008

| | EUR | USD | CZK | SKK | RUB | Other | Total |
|--|--------------|------------|--------------|------------|--------------|------------|--------------|
| Cash and cash equivalents | 50 | 56 | 261 | 1 | 466 | 18 | 852 |
| Financial assets at fair value through profit or loss | 7 | 115 | 322 | - | 152 | 9 | 605 |
| Financial assets available for sale | 54 | - | 110 | - | - | - | 164 |
| Loans and receivables due from banks and other fin. institutions | 233 | 145 | 285 | - | 40 | 55 | 758 |
| Loans and receivables due from non-banks | 17 | 218 | 677 | 163 | 1 656 | 119 | 2 850 |
| Other loans and receivables | 669 | 262 | 22 | - | - | - | 953 |
| Other assets | 209 | 15 | 31 | 2 | 23 | 3 | 283 |
| Total financial assets | 1 239 | 811 | 1 708 | 166 | 2 337 | 204 | 6 465 |

In millions of EUR, for the year ended 31 December 2008

| | EUR | USD | CZK | SKK | RUB | Other | Total |
|--|----------------|--------------|--------------|------------|--------------|------------|--------------|
| Due to non-banks | 187 | 155 | 944 | 6 | 148 | 16 | 1 456 |
| Due to banks and other fin. institutions | 1 998 | 324 | 284 | 117 | 419 | 51 | 3 193 |
| Debt securities issued | 140 | 676 | 446 | - | 521 | - | 1 783 |
| Financial liabilities at fair value through profit or loss | - | 22 | 67 | - | 4 | - | 93 |
| Other liabilities | 7 | 2 | 134 | 7 | 35 | 9 | 194 |
| Total financial liabilities | 2 332 | 1 179 | 1 875 | 130 | 1 127 | 76 | 6 719 |
| Net foreign currency position | (1 093) | (368) | (167) | 36 | 1 210 | 128 | (254) |

PPF Group N.V.*Notes to the consolidated financial statements for the year ended 31 December 2008**In millions of EUR, for the year ended 31 December 2007*

| | EUR | USD | CZK | SKK | RUB | Other | Total |
|--|------------|------------|------------|------------|--------------|------------|--------------|
| Cash and cash equivalents | 24 | 71 | 202 | - | 182 | 20 | 499 |
| Financial assets at fair value through profit or loss | 9 | 14 | 76 | - | 5 | 10 | 114 |
| Financial assets available for sale | 232 | - | 10 | - | - | 2 | 244 |
| Loans and receivables due from banks and other fin. institutions | 93 | 155 | 137 | 2 | 8 | 26 | 421 |
| Loans and receivables due from non-banks | 4 | 169 | 514 | 122 | 1 640 | 153 | 2 602 |
| Other assets | 1 | - | 27 | 2 | 22 | 1 | 53 |
| Total financial assets | 363 | 409 | 966 | 126 | 1 857 | 212 | 3 933 |

In millions of EUR, for the year ended 31 December 2007

| | EUR | USD | CZK | SKK | RUB | Other | Total |
|--|------------|------------|--------------|-----------|------------|-----------|--------------|
| Due to non-banks | 10 | 65 | 373 | - | 212 | 52 | 712 |
| Due to banks and other fin. institutions | 682 | 2 | 93 | 77 | 5 | 7 | 866 |
| Debt securities issued | 116 | 392 | 480 | - | 470 | - | 1 458 |
| Financial liabilities at fair value through profit or loss | - | - | 26 | - | 24 | - | 50 |
| Other liabilities | 6 | 3 | 52 | 6 | 18 | 7 | 92 |
| Total financial liabilities | 814 | 462 | 1 024 | 83 | 729 | 66 | 3 178 |

| | | | | | | | |
|--------------------------------------|--------------|-------------|-------------|-----------|--------------|------------|------------|
| Net foreign currency position | (451) | (53) | (58) | 43 | 1 128 | 146 | 755 |
|--------------------------------------|--------------|-------------|-------------|-----------|--------------|------------|------------|

The following table summarises, by major currency, the contractual amounts of the Group's forward exchange, futures and option contracts with the remaining periods to maturity. Foreign currency amounts are translated at the rates ruling at the balance sheet date.

PPF Group N.V.*Notes to the consolidated financial statements for the year ended 31 December 2008**In millions of EUR, for the year ended 31 December*

| | 2008 | 2007 |
|-----------------------------------|-------|-------|
| Buy EUR | | |
| Less than three months | 284 | 385 |
| Between three months and one year | 326 | 504 |
| Total | 610 | 889 |
| Sell EUR | | |
| Less than three months | 172 | 523 |
| Between three months and one year | 7 | 516 |
| More than one year | 9 | - |
| Total | 188 | 1 039 |
| Buy USD | | |
| Less than three months | 215 | 580 |
| Between three months and one year | 699 | 357 |
| Total | 914 | 937 |
| Sell USD | | |
| Less than three months | 187 | 449 |
| Between three months and one year | 359 | 557 |
| Total | 546 | 1 006 |
| Buy RUB | | |
| Less than three months | 83 | 5 |
| Between three months and one year | 37 | 7 |
| Total | 120 | 12 |
| Sell RUB | | |
| Less than three months | 317 | 596 |
| Between three months and one year | 752 | 323 |
| Total | 1 069 | 919 |
| Buy SKK | | |
| Less than three months | - | - |
| Between three months and one year | - | - |
| Total | - | - |
| Sell SKK | | |
| Less than three months | 11 | 9 |
| Between three months and one year | 9 | 30 |
| Total | 20 | 39 |
| Buy other | | |
| Less than three months | 252 | - |
| Between three months and one year | 102 | - |
| More than one year | 9 | - |
| Total | 363 | - |
| Sell other | | |
| Less than three months | 147 | 49 |
| Between three months and one year | 37 | 35 |
| Total | 184 | 84 |

E.4.4. Hedging

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

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

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

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

E.5. Operational risks

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

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

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

- requirements for appropriate segregation of duties, including the independent authorization of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;

- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

E.6. Capital management

The Group was defined as a financial conglomerate based on the Czech Ministry of Finance decision from March 2006. Since 30 September 2006, the Group has to comply with the supplementary prudential rules specified by the Act. as at 31 December 2008 the Group reported supplementary capital adequacy totalling MEUR 279 of capital surplus (MEUR 436 as at 31 December 2007). Capital adequacy of the Group is calculated as regulatory capital eligible according to prudential rules MEUR 1 220 at 31 December 2008 (MEUR 1 126 as at 31 December 2007) minus solvency requirement MEUR 941 at 31 December 2008 (MEUR 690 as at 31 December 2007).

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The actual regulatory capital base is 130 % of the capital requirements which satisfies this objective. The impact of the level of capital on shareholders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

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

F. Notes to the consolidated balance sheet and income statement

F.1. Cash and cash equivalents

Cash and cash equivalents comprise the following:

In millions of EUR, as at 31 December

| | 2008 | 2007 |
|---|------------|------------|
| Current accounts | 210 | 303 |
| Current accounts with central banks | 284 | 34 |
| Placements with financial institutions due within one month | 358 | 162 |
| Total cash and cash equivalents | 852 | 499 |

F.2. Financial instruments

Financial instruments comprise the following:

In millions of EUR, as at 31 December

| | 2008 | 2007 |
|---|--------------|--------------|
| Financial assets at fair value through profit or loss | 605 | 114 |
| Financial assets available-for-sale | 164 | 244 |
| Loans and receivables due from banks and other financial institutions | 758 | 421 |
| Loans and receivables due from non-banks | 2 850 | 2 602 |
| Other loans and receivables | 953 | - |
| Total financial instruments | 5 330 | 3 381 |

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

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

In millions of EUR, as at 31 December

| | 2008 | 2007 |
|--|------------|------------|
| Debt securities | 268 | 52 |
| Government and other public-sector bonds | 172 | 29 |
| Corporate bonds | 96 | 23 |
| Equity securities | 28 | 37 |
| Shares | 28 | 37 |
| Positive fair values of derivatives | 309 | 25 |
| Interest rate derivatives | 8 | 1 |
| Currency derivatives | 180 | 24 |
| Other derivatives | 121 | - |
| Total | 605 | 114 |

PPF Group N.V.*Notes to the consolidated financial statements for the year ended 31 December 2008*

All financial instruments held for trading are valued based on quoted the market prices, except for derivatives, which are valued based on generally accepted valuation techniques depending on the product (i.e. discounted expected future cash flows, Black-Scholes model, etc.).

Details of derivatives are provided in the following tables:

In millions of EUR, as at 31 December 2008

| | Notional amount with remaining life of | | | Fair values | |
|-------------------------------|--|-----------------------------------|--------------------|-------------|-------------|
| | Less than three months | Between three months and one year | More than one year | Assets | Liabilities |
| Interest rate derivatives | | | | | |
| OTC – products: | | | | | |
| Interest rate swaps | 859 | 343 | 37 | 8 | (10) |
| Other interest rate contracts | 19 | 6 | - | - | - |
| Total | 878 | 349 | 37 | 8 | (10) |

In millions of EUR, as at 31 December 2007

| | Notional amount with remaining life of | | | Fair values | |
|-------------------------------|--|-----------------------------------|--------------------|-------------|-------------|
| | Less than three months | Between three months and one year | More than one year | Assets | Liabilities |
| Interest rate derivatives | | | | | |
| OTC – products: | | | | | |
| Interest rate swaps | 1 708 | 758 | - | 1 | (1) |
| Other interest rate contracts | - | 2 | 6 | - | - |
| Exchange - traded products: | | | | | |
| Interest rate futures | 21 | - | - | - | - |
| Total | 1 729 | 760 | 6 | 1 | (1) |

In millions of EUR, as at 31 December 2008

| | Notional amount with remaining life of | | | Fair values | |
|---------------------------------|--|-----------------------------------|--------------------|-------------|-------------|
| | Less than three months | Between three months and one year | More than one year | Assets | Liabilities |
| Currency derivatives | | | | | |
| OTC-products | | | | | |
| Forward exchange contracts | 123 | 760 | - | 149 | (3) |
| Currency/cross currency swaps | 711 | 390 | 9 | 31 | (47) |
| Other foreign exchange contract | - | - | 8 | - | - |
| Subtotal | 834 | 1150 | 17 | 180 | (50) |
| Foreign exchange futures | - | 14 | - | - | - |
| Total | 834 | 1164 | 17 | 180 | (50) |

PPF Group N.V.*Notes to the consolidated financial statements for the year ended 31 December 2008**In millions of EUR, as at 31 December 2007*

| Currency derivatives | Notional amount with remaining life of | | | Fair values | |
|-------------------------------|--|-----------------------------------|--------------------|-------------|-------------|
| | Less than three months | Between three months and one year | More than one year | Assets | Liabilities |
| OTC-products | | | | | |
| Forward exchange contracts | 399 | 234 | - | - | (18) |
| Currency/cross currency swaps | 804 | 971 | - | 24 | (8) |
| Subtotal | 1 203 | 1 205 | - | 24 | (26) |
| Exchange-traded products | | | | | |
| Foreign exchange futures | 13 | - | - | - | - |
| Total | 1 216 | 1 205 | - | 24 | (26) |

Other derivatives contain a total return swap contract representing a right to receive 50% of net proceedings related to ownership of minority share in mining company ArcelorMittal Ostrava a.s. acquired by external counterpart in the deal. Fair value of the swap in amount MEUR 117 was derived from market valuation of the share prepared by an external appraisal.

Financial assets at fair value through profit or loss – decomposition with respect to valuation method

In millions of EUR, as at 31 December

| | 2008 | 2007 |
|--|------------|------------|
| Market price | 289 | 71 |
| Net present value of future cash flows | 7 | 18 |
| Positive market values of derivatives | 309 | 25 |
| Total | 605 | 114 |

For puttable instruments such as open-ended mutual funds where the Group has the right to redeem its interest in the fund at any time for cash equal to its proportionate share of the fund's asset value, this redemption price is considered to be the fair value of the instrument.

F.2.2. Financial assets available for sale

Financial assets available for sale comprise the following:

In millions of EUR, as at 31 December 2008

| | Carrying amount | Unrealized gains/(losses) recognized in equity | FX differences recognized through profit and loss | Impairment recognized directly in profit and loss | Amortized cost |
|--------------------------|--------------------|---|--|---|-------------------|
| Debt securities | 22 | - | - | - | 22 |
| Government bonds | 22 | - | - | - | 22 |
| Equity securities | 118 | (4) | - | - | 122 |
| Shares | 94 | (3) | - | - | 97 |
| Mutual funds investments | 6 | (1) | - | - | 7 |
| Other | 18 | - | - | - | 18 |
| Loans and receivables | 24 | - | - | - | 24 |
| Total | 164 | (4) | - | - | 168 |

As at 31 December 2007 equity securities contain 5.12 % in Zentiva N.V., finally sold in February 2009 (refer to G.1)

In millions of EUR, as at 31 December 2007

| | Carrying amount | Unrealized gains/(losses) recognized in equity | FX differences recognized through profit and loss | Impairment recognized directly in profit and loss | Amortized cost |
|--------------------------|--------------------|---|--|---|-------------------|
| Bonds | 21 | - | - | - | 21 |
| Government bonds | 21 | - | - | - | 21 |
| Shares | 223 | - | - | - | 223 |
| Equity securities | 215 | - | - | - | 215 |
| Mutual funds investments | 8 | - | - | - | 8 |
| Total | 244 | - | - | - | 244 |

As at 31 December 2007 the Group held 15.67% stake in Nomos-Bank acquired for MEUR 213. In 2008 acquisition of further stake transformed the participation in an associate.

Financial assets available for sale - decomposition with respect of valuation method

In millions of EUR, as at 31 December

| | 2008 | 2007 |
|---|------------|------------|
| Market price | 116 | 213 |
| Expected selling price/redemption price | - | 2 |
| Other | 48 | 29 |
| Total | 164 | 244 |

F.2.3. Loans and receivables due from banks and other financial institutions

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

In millions of EUR, as at 31 December

| | 2008 | 2007 |
|--|------------|------------|
| Term deposits at banks | 357 | 212 |
| Minimum reserve deposits with the central banks | 15 | 22 |
| Loans to banks | 42 | 8 |
| Loans and advances provided under repo operations | 287 | 167 |
| Other | 57 | 12 |
| Total loans and receivables due from banks and other financial institutions | 758 | 421 |

The minimum reserve deposits are mandatory non-interest bearing deposits calculated in accordance with regulations issued by central banks and whose withdrawability is restricted. Term deposits of MEUR 9 (MEUR 31 in 2007) were pledged as a collateral for secured loan drawn by the Group.

F.2.4. Loans and receivables due from non-banks

Loans and receivables due from customers comprise the following:

In millions of EUR, as at 31 December

| | 2008 | 2007 |
|---|--------------|--------------|
| Consumer loans receivables | 899 | 1 050 |
| Cash loan receivables | 497 | 363 |
| Revolving loan receivables | 750 | 749 |
| Car loan receivables | 69 | 22 |
| Mortgage loan receivables | 214 | 131 |
| Personal loan receivables (secured) | 20 | 27 |
| Loans to corporations | 240 | 201 |
| Loans and advances provided under repo operations | 82 | 14 |
| Other | 79 | 45 |
| Total loans and receivables due from non-banks | 2 850 | 2 602 |

In millions of EUR

| | 2008 | 2007 |
|--|------------|------------|
| Balance as at 1 January | 367 | 233 |
| Translation difference | (37) | (6) |
| Impairment losses recognized in the income statement | 321 | 245 |
| Amount related to loans disposed of | (158) | (47) |
| Amount related to loans written off | (114) | (58) |
| Balance as at 31 December | 379 | 367 |

F.2.5. Net investment in finance leases

The net investment in finance leases is apportioned as follows:

In millions of EUR, as at 31 December

| | 2008 | 2007 |
|---|----------|----------|
| Net investment in the finance leases to non-banks | - | - |
| Total net investment in finance leases | - | - |

The structure of the net investment in finance leases is as follows:

In millions of EUR, as at 31 December

| | 2008 | 2007 |
|---|----------|----------|
| Gross investment in finance leases | 1 | 1 |
| Unearned finance income | - | - |
| Allowance for uncollectible lease payments receivable | (1) | (1) |
| Total net investment in finance leases | - | - |

The investment in finance leases according to their remaining maturities is as follows:

In millions of EUR, as at 31 December

| | 2008 | 2007 |
|---|----------|----------|
| Gross investment in finance leases, with remaining maturities | | |
| Less than one year | 1 | 1 |
| Between one and five years | - | - |
| Total gross investment in finance lease | 1 | 1 |
| Total net investment in finance lease | - | - |

F.2.6. Other loans and receivables

The following table shows breakdown of other loans and receivables:

In millions of EUR, as at 31 December

| | 2008 | 2007 |
|---|------------|----------|
| Loans and receivables | 930 | - |
| Loans and advances provided under repo operations | 23 | - |
| Total other loans and receivables | 953 | - |

In 2008 The Group evaluated several opportunities occurred in the market that ended in providing the funds to the third parties outside of its core banking business. One of such cases is funding of Eldorado, the Russia's largest electronics and domestic appliances retailer. As at 31 December 2008 total loan owed by Eldorado amounted MEUR 348, out of which Generali Group contributed MEUR 140 under a participation agreement (recorded as Liabilities to non-banks). In April 2009 the Group concluded a contract transferring the loan into an equity share (see G.3)

Loans provided under repo operations represent a loan in amount MEUR 23 that is financed by a bank loan received under repo operation in the same value.

F.3. Deferred tax

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

In millions of EUR, as at 31 December

| | 2008 | 2007 |
|--|----------|-----------|
| Net deferred tax asset/(liability) at 1 January | 19 | (43) |
| Transfer to held for sale | - | 49 |
| Deferred tax (expense)/income for the period | 1 | 20 |
| Additions from business combinations | (13) | (6) |
| Net exchange differences | (2) | (1) |
| Net deferred tax asset/(liability) at 31 December | 5 | 19 |

The recognised deferred tax assets and liabilities comprise the following:

In millions of EUR, as at 31 December

| | 2008 Deferred tax liabilities | 2008 Deferred tax assets | 2007 Deferred tax liabilities | 2007 Deferred tax assets |
|--|--|-----------------------------------|--|-----------------------------------|
| Intangible assets | (2) | - | (1) | - |
| Financial assets | (7) | 23 | - | 24 |
| Financial assets at fair value through profit or loss | (6) | - | - | - |
| Loans and receivables | (1) | 23 | - | 24 |
| Investment property | (7) | 1 | - | - |
| Property, plant and equipment | (14) | 1 | (21) | - |
| Other assets | - | 7 | - | 11 |
| Financial liabilities | (5) | 7 | (2) | 1 |
| Debt securities issued | (1) | - | (2) | - |
| Other liabilities | (2) | 6 | - | 1 |
| Financial liabilities at fair value through profit or loss | - | 1 | - | - |
| Liabilities to banks | (1) | - | - | - |
| Liabilities to non-banks | (1) | - | - | - |
| Other temporary differences | (1) | - | - | 7 |
| Value of loss carry-forwards recognised | - | 2 | - | - |
| Deferred tax assets/(liabilities) | (36) | 41 | (24) | 43 |
| Net deferred tax assets/(liabilities) | (17) | 22 | (9) | 28 |

The following table shows the unrecognised deferred tax assets:

In millions of EUR, as at 31 December

| | 2008 | 2007 |
|---|----------|-----------|
| Tax effect from unrecognised deductible tax differences | - | - |
| Tax effect from unused tax losses | - | 14 |
| Unrecognised potential deferred tax assets | - | 14 |

Some of the Group companies have incurred tax losses in recent years available to be carried forward and off-set against future taxable income. To the extent that it is not considered likely that taxable profits will be available against which the unused tax losses can be utilized, the deferred tax asset is not recognised. The unutilized tax losses can be claimed in the period from 2009 to 2013.

As at 31 December 2008 and 2007 deferred tax liabilities relating to the undistributed earnings of subsidiaries have not been recognised as the Group controls the timing of such liabilities and is satisfied that they will not be incurred in the foreseeable future.

F.4. Other assets

Other assets comprise the following:

In millions of EUR, as at 31 December

| | 2008 | 2007 |
|---|------------|-----------|
| Settlements with suppliers | 24 | 32 |
| Prepaid expenses | 32 | 13 |
| Goods held for resale supplies and other inventories | 2 | 3 |
| Other taxes receivable | 16 | 2 |
| Insurance receivable net | - | 1 |
| Other | 210 | 3 |
| Subtotal other assets (gross) | 284 | 54 |
| Specific allowances for impairment on settlement with suppliers | (1) | (1) |
| Other assets | 283 | 53 |

Line Other contains two significant items. In December 2008 the Group acquired 82% share in PPF Investments Ltd. for MEUR 70. The closing of the transaction is subject of fulfilment of significant conditions precedent so the change of control has not occurred yet to consider the entity as a subsidiary.

In December 2008 the Group acquired control over the real estate. As the final price has been determined after finalization of all necessary expert valuations on 31 December 2008 other assets contain a final overpayment of the price in amount MEUR 80 that will be remitted in 2009.

F.5. Investments in associates

The following table shows break down of individual investments in associates:

In millions of EUR, as at 31 December

| | 2008 |
|--|--------------|
| Nomos-Bank | 398 |
| Generali PPF Holding | 2 394 |
| Polymetal | 462 |
| Real Estate projects | 3 |
| Total investments in associates | 3 257 |

Nomos-Bank

Since 17 April 2008 investments in associates comprise 29.92% share in Nomos-Bank (refer to C.3.1). It represents the banking group comprising 13 entities. The following table summarizes the consolidated financial information related to this associate:

In millions of EUR, as at 31 December

| | 2008 |
|---|------------|
| Total assets | 6 729 |
| Total liabilities | (5 942) |
| Group's share in equity (29.92%) | 235 |
| Total revenue (since acquisition) | 628 |
| Total net profit (since acquisition) | 66 |
| Group's share in profit (29.92%) | 20 |

Based on the impairment testing as at 31 December 2008 the value of Nomos-Bank was decreased by MEUR 73. Impairment is included in share of earnings of associates.

Generali PPF Holding

Since 17 January 2008, investments in associates comprise 49% share in Generali PPF Holding B.V. (refer to A.5.1). It represents the insurance group focusing on insurance and pension fund business within the Central and Eastern European region.

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The following table summarizes the consolidated financial information related to this associate:

In millions of EUR, as at 31 December

| | 2008 |
|--|--------------|
| Total assets | 13 884 |
| Total liabilities | (8 961) |
| Group's share in total equity (49%) | 2 412 |
| Minority interests on subholding level (49%) | (18) |
| Group's share in equity (49%) | 2 394 |
| Total revenue | 3 440 |
| Total net profit | (90) |
| Group's share in net profit (49%) | (44) |
| Minority interests on subholding level (49%) | 2 |
| Group's share in profit (49%) | (42) |

Polymetal

Since 10 June the Group holds 24.9% stake in Polymetal, the Russian precious metals mining company (refer to C.3.1). The company is traded on London and Moscow Stock Exchange. As of 31 December 2008 the share price of Polymetal was USD 4.5. The management did not consider this price relevant for the purposes of valuation of the associates, mainly due to volume of shares traded on the market and high volatility of the Russian stock market in relation to the financial crisis.

In millions of EUR, as at 31 December

| | 2008 |
|--|-------------|
| Total assets | 629 |
| Total liabilities | (306) |
| Group's share in equity (24.9%) | 80 |
| Total revenue (since acquisition) | 166 |
| Total net profit (since acquisition) | (40) |
| Group's share in profit (24.9%) | (10) |

Real Estate

Investment in associate consists of two projects owned by 33 % and one owned by 40 %. The total assets of those entities are MEUR 104, total liabilities MEUR 98.

F.6. Investment property

Investment property represent all projects acquired through acquisition of real estate structure (refer to C.3.2). The projects, located in the Czech Republic, Romania, Russia and Ukraine, consist mainly of finished office premises already rented, land plots and projects under construction.

F.7. Property, plant and equipment

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

In millions of EUR, as at 31 December 2008

| | Land and buildings | Other tangible assets and equipment | Tangible assets not in use | Total | Thereof under finance lease |
|---|-----------------------|--|----------------------------------|------------|--------------------------------------|
| Cost | | | | | |
| Balance at 1 January | 223 | 97 | 4 | 324 | 2 |
| Additions | 50 | 25 | 44 | 119 | 1 |
| Disposals | - | (15) | (42) | (57) | - |
| Other movements | - | (4) | 4 | - | - |
| Net foreign exchange differences | (25) | (9) | (1) | (35) | - |
| Balance at 31 December 2008 | 248 | 94 | 9 | 351 | 3 |
| Accumulated depreciation and impairment losses | | | | | |
| Balance at 1 January | (4) | (43) | - | (47) | (1) |
| Depreciation charge for the period | (14) | (20) | - | (34) | (1) |
| Impairment losses recognized | (8) | (1) | (1) | (10) | - |
| Disposals | - | 9 | - | 9 | - |
| Other movements | - | 2 | - | 2 | - |
| Net foreign exchange differences | 3 | 5 | - | 8 | - |
| Balance at 31 December 2008 | (23) | (48) | (1) | (72) | (2) |
| Carrying amount at 31 December 2008 | 225 | 46 | 8 | 279 | 1 |

In millions of EUR, as at 31 December 2007

| | Land and buildings | Other tangible assets and equipment | Tangible assets not in use | Total | Thereof under finance lease |
|---|-----------------------|--|----------------------------------|------------|--------------------------------------|
| Cost | | | | | |
| Balance at 1 January | 265 | 172 | 11 | 448 | 5 |
| Transfer to held for sale | (166) | (110) | (10) | (286) | (3) |
| Acquisition through business combinations | 67 | 2 | - | 69 | - |
| Additions | 61 | 30 | 7 | 98 | 1 |
| Disposals | - | (11) | (1) | (12) | (1) |
| Other movements | - | 4 | (4) | - | - |
| Net exchange differences | (4) | 10 | 1 | 7 | - |
| Balance at 31 December | 223 | 97 | 4 | 324 | 2 |
| Accumulated depreciation and impairment losses | | | | | |
| Balance at 1 January | (68) | (115) | - | (183) | (2) |
| Transfer to held for sale | 68 | 88 | - | 156 | 1 |
| Depreciation charge for the year | (4) | (15) | - | (19) | - |
| Disposals | - | 9 | - | 9 | 1 |
| Net foreign exchange differences | - | (10) | - | (10) | (1) |
| Balance at 31 December | (4) | (43) | - | (47) | (1) |
| Carrying amount at 31 December | 219 | 54 | 4 | 277 | 1 |

F.8. Intangible assets

Intangible assets comprise the following:

In millions of EUR, as at 31 December

| | 2008 | 2007 |
|----------------------------------|-----------|------------|
| Goodwill | 38 | 78 |
| Software | 19 | 17 |
| Customers lists and relationship | 1 | 2 |
| Trademark | 3 | 3 |
| Other intangible assets | 1 | 1 |
| Intangible assets not in use | 2 | 1 |
| Total intangible assets | 64 | 102 |

F.8.1. Goodwill

The following table shows the roll-forward of goodwill:

In millions of EUR, as at 31 December

| | 2008 | 2007 |
|-------------------------------------|-----------|-----------|
| Balance at 1 January | 78 | 101 |
| Transfer to held for sale | - | (27) |
| Additions from business combination | 4 | 1 |
| Impairment losses | (44) | - |
| Other movements | - | 1 |
| Net exchange differences | - | 2 |
| Balance at 31 December | 38 | 78 |

The amount of goodwill of MEUR 38 is allocated to the Group's business in Ukraine. The current economic downturn in this country resulted in restriction of the Group's activities in this region. As a consequence, the Group revised the recoverable amount of this cash-generating unit assuming significant decline of related revenues in 2009-10 with gradual recovery expected in 2011-2013. The growth rate used to extrapolate cash flow projections beyond 2013 was 10 %, the discount rate applied to the cash flow projections was 20 %. As a result, impairment loss of MEUR 40 was recognized.

The amount of goodwill of MEUR 4 relates to the Group acquisition of Privatinvest (LLC) registered in Ukraine, the goodwill is fully impaired.

F.8.2. Other intangible assets

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

In millions of EUR, as at 31 December 2008

| | Software | Other intangible assets | Customer list and relationship | Total |
|---|-----------|----------------------------|-----------------------------------|-----------|
| Cost | | | | |
| Balance at 1 January | 32 | 8 | 3 | 43 |
| Additions | 11 | 1 | - | 12 |
| Disposal | (4) | - | - | (4) |
| Net exchange differences | (2) | - | - | (2) |
| Balance at 31 December | 37 | 9 | 3 | 49 |
| Accumulated amortization and impairment losses | | | | |
| Balance at 1 January | (16) | (2) | (1) | (19) |
| Amortization charge for the year | (6) | - | (1) | (7) |
| Disposal | 1 | - | - | 1 |
| Net exchange differences | 1 | - | - | 1 |
| Balance at 31 December | (20) | (2) | (2) | (24) |
| Total | 17 | 7 | 1 | 25 |

In millions of EUR, as at 31 December 2007

| | Software | Other intangible assets | Customer list and relationship | PVFP from portfolios acquired | Total |
|---|-----------|-------------------------------|--------------------------------------|-------------------------------------|-----------|
| Cost | | | | | |
| Balance at 1 January | 133 | 6 | 3 | 543 | 685 |
| Transfer to held for sale | (106) | (2) | - | (539) | (647) |
| Additions | 10 | 9 | - | - | 19 |
| Disposal | (5) | (5) | - | - | (10) |
| Net exchange differences | - | - | - | (4) | (4) |
| Balance at 31 December | 32 | 8 | 3 | - | 43 |
| Accumulated amortization and impairment losses | | | | | |
| Balance at 1 January | (68) | (1) | - | (426) | (495) |
| Transfer to held for sale | 55 | 1 | (1) | 422 | 477 |
| Amortization charge for the year | (4) | (1) | - | - | (5) |
| Impairment losses recognized | - | (1) | - | - | (1) |
| Disposal | 2 | - | - | - | 2 |
| Net exchange differences | (1) | - | - | 4 | 3 |
| Balance at 31 December | (16) | (2) | (1) | - | (19) |
| Total | 16 | 6 | 2 | 0 | 24 |

F.9. Liabilities to non-banks

Liabilities to non-banks comprise the following:

In millions of EUR, as at 31 December

| | 2008 | 2007 |
|---|--------------|------------|
| Current accounts and demand deposits | 478 | 473 |
| Term deposits | 728 | 239 |
| Loans | 149 | - |
| Other | 101 | - |
| Total liabilities due to non-banks | 1 456 | 712 |

The table shows the liabilities to corporate and individual clients of the Group, increased volume of term deposits relates to PPF banka. Other liabilities represent deferred payment for acquisition of CP Reinsurance Company Ltd. payable in 2009.

F.10. Liabilities to banks and other financial institutions

Liabilities to banks and other financial institutions comprise the following:

In millions of EUR, as at 31 December

| | 2008 | 2007 |
|--------------------------------------|--------------|------------|
| Repayable on demand | 10 | - |
| Loans received under repo operations | 23 | - |
| Secured loans (other than repo) | 2 573 | 579 |
| Unsecured loans | 573 | 274 |
| Other | 14 | 13 |
| Total liabilities to banks | 3 193 | 866 |

In 2007 secured loan contained a short term loan facility in amount MEUR 400 connected to the Generali transaction. In 2008 this loan was repaid and substituted with syndicated loan facility provided by the group banks lead by Calyon in maximum amount MEUR 2 099 available till January 2015. The pricing is set as applicable EURIBOR+0.70/0.99 bsp. The loan is drawn in 1, 3 or 6 months tranches and it is secured by pledge of PPF Group's share in Generali PPF Holding B.V. Following the loan contract stipulations the total amount of the Calyon facility is linked to the value of investment in Generali PPF Holding B.V. As of 31 December 2008 the total amount drawn is 1 850 MEUR.

In 2008 part of the secured loans in amount MEUR 263 represents loan provided by Sberbank for financing of a residual consideration for the acquisition of Polymetal. The loan matures in 2013 and it is secured by pledge of PPF Group's share in Polymetal. The loan is provided to the Group through its associate Accord Invest LLC.

Out of the other secured loans stated above the amount of MEUR 163 (MEUR 81 in 2007) was secured by pledge of consumer loan receivables and cash loan receivables, the amount of MEUR 54 (MEUR 42 in 2007) was secured by pledge of revolving loan receivables and the amount of MEUR 9 (MEUR 93 in 2007) was collateralized by a cash deposit.

F.11. Debt securities issued

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

In millions of EUR, as at 31 December

| | Interest rate | Date of maturity | 2008 | 2007 |
|--|---------------|------------------|--------------|--------------|
| RUB loan participation notes of TRUB 8 200 000 | Variable | March 2014 | 201 | 227 |
| Unsecured RUB bond issue 5 of TRUB 4,000,000 | Variable | April 2013 | 99 | - |
| Class A1 loan note of TEUR 100 000 | Variable | May 2012 | 99 | 98 |
| Class A2 loan note of TEUR 13 500 | Variable | May 2012 | 10 | 2 |
| Class B loan note of TEUR 13 000 | Variable | May 2012 | 6 | - |
| Unsecured RUB bond issue 4 of MRUB 3 000 | Variable | October 2011 | 75 | 85 |
| USD loan participation notes 5 of TUSD 300 912 | Fixed | August 2011 | 202 | - |
| USD loan participation notes 4 of TUSD 500,000 | Fixed | June 2011 | 338 | - |
| Unsecured RUB bond issue 3 of MRUB 3 000 | Variable | September 2010 | 73 | 81 |
| Unsecured RUB bond issue 2 of MRUB 3 000 | Variable | May 2010 | 74 | 78 |
| USD loan participation notes of TUSD 200 000 | Fixed | April 2010 | 145 | 113 |
| Unsecured CZK bond issue 1 of MCZK 3 000 | Variable | July 2009 | 115 | 58 |
| Unsecured CZK bond issue 2 of MCZK 3 000 | Variable | June 2009 | 112 | - |
| CZK senior variable loan notes of MCZK 5 000 | Variable | April 2009 | 131 | 132 |
| CZK junior variable loan notes of TCZK 779 221 | Variable | April 2009 | 7 | 10 |
| USD loan participation notes 2 of TUSD 275 000 | Fixed | June 2008 | - | 174 |
| USD loan participation notes of TUSD 150 000 | Fixed | February 2008 | - | 106 |
| Deposit bill of exchange; rate 3,5% | Fixed | December 2009 | 16 | - |
| Deposit bill of exchange; rate 4,73% | Fixed | October 2009 | 11 | - |
| Deposit bill of exchange; rate 4,02% | Fixed | April 2009 | 19 | - |
| Deposit bill of exchange; rate 3,74% | Fixed | March 2009 | 19 | - |
| Deposit bill of exchange; rate 3,67% | Fixed | January 2009 | 19 | - |
| Deposit bill of exchange; rate 4,18% | Fixed | January 2009 | 11 | - |
| Deposit bill of exchange; rate 2,67% | Fixed | January 2009 | 1 | - |
| Deposit bill of exchange; rate 6,8% | Fixed | January 2008 | - | 246 |
| Deposit bill of exchange; rate 4,45% | Fixed | January 2008 | - | 16 |
| Deposit bill of exchange; rate 3,75% | Fixed | January 2008 | - | 28 |
| Deposit bill of exchange; rate 3,91% | Fixed | January 2008 | - | 4 |
| Total debt securities issued | | | 1 783 | 1 458 |

The USD loan participation notes were issued by the Group through Eurasia Capital S.A.

The CZK denominated variable loan notes were issued by the Group through HCF Funding No.1 B.V. The proceeds from the issue were used to finance revolving loan receivables purchases under receivables sale agreement between the entity and the Group.

The EUR denominated consumer loan receivables backed notes were issued by the Group in December 2005 through Eurasia Structured Finance No.1 S.A.. The proceeds from the issue were used to finance consumer loan receivable purchases under receivables purchase agreement between the entity and the Group. The notes were fully redeemed on 10 February 2009.

The RUB denominated bonds 5 were issued by the Group in April 2008 with a fixed coupon rate valid for the subsequent twelve months. Coupon rates for the subsequent period (or periods) and the maturity of the period (or periods) will be set by the Group in April 2009. Bondholders are entitled to require early redemption of the bond issue at par in April 2009.

The RUB denominated bonds 4 were issued by the Group in October 2006 with a fixed coupon rate valid for the subsequent twenty four months. Coupon rates were reset for the subsequent twelve month period by the Group in October 2008. Bondholders are entitled to require early redemption of the bond at par in October 2009.

The RUB denominated bonds 3 were issued by the Group in September 2005 with a fixed coupon rate valid for the subsequent eighteen months. Coupon rates for the remaining period were reset by the Group in March 2007 and September 2008 respectively. Bondholders are entitled to require early redemption of the bond issue at par in March 2009.

The RUB denominated bonds 2 were issued by the Group in May 2005 with a fixed coupon rate. Bondholders are entitled to require early redemption of the bond issue at par in May 2009.

The RUB denominated credit revolving loan receivables backed notes were issued by the Group in August 2007 through Eurasia Credit Card Funding I S.A. and Eurasia Credit Card Company S.A.. The proceeds from the issue were used to finance revolving loan receivable purchases under receivables purchase agreement between the entity and the Group. The notes will be redeemed in full by Eurasia Credit Card Company S.A. at par in March 2014.

The RUB, CZK and EUR denominated loan notes are secured by the securitized pool of receivables.

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

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

In millions of EUR, as at 31 December

| | 2008 | 2007 |
|---|-----------|-----------|
| Negative market values of derivatives | 93 | 27 |
| Interest rate derivatives | 10 | 1 |
| Currency derivatives | 50 | 26 |
| Equity derivatives | 7 | - |
| Other derivatives | 26 | - |
| Obligation to deliver securities | - | 23 |
| Financial liabilities at fair value through profit or loss | 93 | 50 |

F.13. Other liabilities

Other liabilities comprise the following:

In millions of EUR, as at 31 December

| | 2008 | 2007 |
|--------------------------------------|------------|-----------|
| Settlements with suppliers | 123 | 42 |
| Wages and salaries | 18 | 14 |
| Social security and health insurance | 2 | 2 |
| Other tax payable | 8 | 6 |
| Finance lease liabilities | 1 | 1 |
| Provisions for litigation | - | - |
| Other provisions | 2 | 2 |
| Accrued expenses | 7 | 2 |
| Deferred income | 2 | - |
| Insurance payable, net | 13 | - |
| Other liabilities | 18 | 23 |
| Total other liabilities | 194 | 92 |

F.14. Finance lease liabilities

Finance lease liabilities comprise the following:

In millions of EUR, as at 31 December 2008

| | Payments | Interest | Finance lease liabilities |
|--|----------|----------|---------------------------|
| Finance lease liabilities: | | | |
| less than one year | 1 | - | 1 |
| between one and five years | - | - | - |
| more than five years | - | - | - |
| Total finance lease liabilities | 1 | - | 1 |

PPF Group N.V.*Notes to the consolidated financial statements for the year ended 31 December 2008**In millions of EUR, as at 31 December 2007*

| | Payments | Interest | Finance lease liabilities |
|--|----------|----------|---------------------------------|
| Finance lease liabilities: | | | |
| less than one year | 1 | - | 1 |
| between one and five years | - | - | - |
| more than five years | - | - | - |
| Total finance lease liabilities | 1 | - | 1 |

F.15. Issued capital

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

The following table provides details of authorised and issued shares:

| | 2008 | 2007 |
|--|---------|---------|
| Number of shares authorised | 250 000 | 250 000 |
| Number of shares issued, out of which: | | |
| fully paid | 66 738 | 66 738 |
| Par value per share | EUR 10 | EUR 10 |

The following table reconciles the number of shares outstanding at the beginning and at the end of the year:

| | 2008 | 2007 |
|-------------------------------|---------------|---------------|
| Balance at 1 January | 66 738 | 66 738 |
| Balance at 31 December | 66 738 | 66 738 |

As at 31 December 2008 the authorized share capital comprised 250 000 (2007: 250 000) registered shares, out of which issued and fully paid 66 738 (2007: 66 738). The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Parent Company.

F.16. Capital and reserves**F.16.1. Revaluations reserve**

The revaluation reserve represents the revaluation surplus, net of deferred tax, recognised on property transferred from property, plant and equipment to investment property following a change in use of the property and changes in the fair value of financial assets available for sale.

F.16.2. Legal and statutory reserves

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

F.16.3. Translation reserve

The translation reserve comprises foreign exchange differences arising from translation of the financial statements of companies within Group with a functional currency other than the presentation currency.

F.16.4. Catastrophe and equalization reserves

Catastrophe and equalisation reserves relate to the Insurance Group and are required under local insurance legislation and are classified as a separate part of equity within these accounts as they do not meet the definition on a liability under IFRS. They are not available for distribution.

F.17. Net interest income

Interest income comprises the following:

In millions of EUR, as at 31 December

| | 2008 | 2007 |
|---|--------------|------------|
| Financial instruments at fair value through profit and loss | 9 | 5 |
| Financial instruments available-for-sale | 2 | - |
| Due from banks and other financial institutions | 41 | 30 |
| Consumer loan receivables | 425 | 254 |
| Cash loan receivables | 222 | 97 |
| Revolving loan receivables | 314 | 259 |
| Car loan receivables | 12 | 2 |
| Mortgage loan receivables | 26 | 8 |
| Loans to corporations and other loans and receivables | 72 | 20 |
| Other | 9 | 10 |
| Total interest and similar income | 1 132 | 685 |

PPF Group N.V.*Notes to the consolidated financial statements for the year ended 31 December 2008*

Interest expense comprises the following:

In millions of EUR, as at 31 December

| | 2008 | 2007 |
|---|------------|------------|
| Due to customers | 42 | 17 |
| Due to banks and other financial institutions | 95 | 28 |
| Debt securities issued | 163 | 87 |
| Other | 2 | 1 |
| Total interest and similar expenses | 302 | 133 |
| Total net interest income | 830 | 552 |

F.18. Net fee and commission income

Fee and commission income comprises the following:

In millions of EUR, as at 31 December

| | 2008 | 2007 |
|---|------------|------------|
| Penalty fees | 91 | 67 |
| Insurance commissions | 76 | 42 |
| Cash transactions | 42 | 21 |
| Customer payment processing and account maintenance | 14 | 13 |
| Retailers commissions | 7 | 19 |
| Other | 5 | 7 |
| Total fee and commission income | 235 | 169 |

Fee and commission expense comprises the following:

In millions of EUR, as at 31 December

| | 2008 | 2007 |
|--|------------|------------|
| Commissions to retailers | 55 | 14 |
| Cash transactions | 13 | 4 |
| Payment processing and account maintenance | 5 | 13 |
| Other | 2 | 2 |
| Total fee and commission expense | 75 | 33 |
| Total net fee and commission income | 160 | 136 |

F.19. Net gain/loss on financial assets*In millions of EUR, as at 31 December*

| | 2008 | 2007 |
|---|------------|------------|
| Net trading income | 129 | (16) |
| Securities trading | (9) | 11 |
| Debt securities | (2) | - |
| Equity securities | (7) | 11 |
| FX trading | 6 | 5 |
| Derivatives | 146 | (32) |
| Other | (14) | - |
| Net realized gains | 20 | 7 |
| Financial assets available-for-sale | 20 | 7 |
| Dividends | 2 | 1 |
| Total net gains/losses on financial assets | 151 | (8) |

Significant positive result from derivatives relates to the hedging of FX position visible in foreign currency losses (refer to F.24)

F.20. Net impairment losses on financial assets*In millions of EUR, as at 31 December*

| | 2008 | 2007 |
|--|------------|------------|
| Consumer loan receivables | 125 | 126 |
| Cash loan receivables | 87 | 35 |
| Revolving loan receivables | 83 | 73 |
| Car loan receivables | 5 | 1 |
| Mortgage loan receivables | 12 | 1 |
| Loans to corporations | 5 | (1) |
| Other financial assets | 4 | 3 |
| Total net impairment losses on financial assets | 321 | 238 |

F.21. Net expense related to credit risk insurance*In millions of EUR, as at 31 December*

| | 2008 | 2007 |
|---|-----------|-----------|
| Consumer loan receivables | 18 | 15 |
| Cash loan receivables | 21 | 10 |
| Revolving loan receivables | - | 1 |
| Commission income for collecting defaulted receivables | (20) | (16) |
| Total net expense related to credit risk insurance | 19 | 10 |

F.22. Operating income*In millions of EUR, as at 31 December*

| | 2008 | 2007 |
|---|----------|-----------|
| Income from other assets | 4 | 6 |
| Sales of goods | 14 | 19 |
| Cost of goods sold | (13) | (18) |
| Storage of goods and distribution expenses | - | (1) |
| Foreign currency gains | - | 15 |
| Recognized income from excess of acquired net fair value over costs (former negative goodwill) | - | 1 |
| Other income | 2 | 8 |
| Total operating income | 7 | 30 |

F.23. General administrative expenses

General administrative expenses comprise the following:

In millions of EUR, as at 31 December

| | 2008 | 2007 |
|--|------------|------------|
| Employee compensation | 257 | 155 |
| Payroll related taxes (including pension contribution) | 43 | 32 |
| Advertising and marketing | 19 | 14 |
| Professional services | 63 | 36 |
| Telecommunication and postage | 57 | 39 |
| Travel expenses | 14 | 15 |
| Taxes other than income tax | 7 | 20 |
| Information technologies | 22 | 13 |
| Rental, maintenance and repair expense | 61 | 33 |
| Other | 26 | 40 |
| Total general administrative expenses | 569 | 397 |

F.24. Other operating expenses

Other operating expenses comprise the following:

In millions of EUR, as at 31 December

| | 2008 | 2007 |
|---|------------|-----------|
| Foreign currency losses | 184 | - |
| Depreciation on property, plant and equipment | 34 | 19 |
| Amortisation on intangible assets | 7 | 5 |
| Net impairment losses on goodwill recognized | 44 | - |
| Net impairment losses on property, plant and equipment recognized | 9 | - |
| Net impairment losses on other assets | - | 1 |
| Loss on disposal of property, plant, equipment, and intangible assets | 2 | 3 |
| Total other operating expenses | 280 | 28 |

F.25. Income tax expense

Income tax expense comprises the following:

In millions of EUR, as at 31 December

| | 2008 | 2007 |
|---------------------------------|-------------|-------------|
| Current tax expense | (60) | (45) |
| Deferred tax expense | 1 | 21 |
| Total income tax expense | (59) | (24) |

F.25.1. Reconciliation of effective tax rate

The following table reconciles the tax expense:

In millions of EUR, as at 31 December

| | 2008 | 2007 |
|---|-------------|-------------|
| Tax rate | 25.5% | 25.5% |
| Profit from continuing operations (before taxation) | (146) | 37 |
| Computed taxation using applicable tax rate | 37 | (9) |
| Tax non-deductible expenses | (12) | (14) |
| Non-taxable income | - | - |
| Tax rate differences on foreign results | (51) | 2 |
| Changes in tax rates | (4) | - |
| Utilized tax loss not previously recognised | (15) | - |
| Tax loss carry forward not recognised | (11) | (13) |
| Other | (3) | 10 |
| Total income tax expense/income | (59) | (24) |

Profit from discontinued operation in 2008 is not a taxable income.

F.26. Operating leases

The Group leases a number of office buildings under operating leases. The leases typically run for an initial period of between five and ten years, with an option to renew the lease after that date.

Lease payments are increased annually to reflect market rentals. None of the leases include contingent rentals.

PPF Group N.V.*Notes to the consolidated financial statements for the year ended 31 December 2008*

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

In millions of EUR, as at 31 December

| | 2008 | 2007 |
|---|-----------|-----------|
| Less than one year | 14 | 21 |
| Between one and five years | 39 | 55 |
| More than five years | 4 | 7 |
| Total payables in respect of non-cancellable operating leases | 57 | 83 |
| Payables in respect of non-cancellable operating leases with non-specified maturity | - | - |
| of which: less than one year | - | - |

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

In millions of EUR, as at 31 December

| | 2008 | 2007 |
|--|-----------|-----------|
| Minimum lease payments (+) | 43 | 19 |
| Total lease and sublease payments | 43 | 19 |

F.27. Repurchase and resale agreements

The Group Company raises funds by selling financial instruments under agreements to repurchase them at future dates at the same price plus interest at a predetermined rate.

As at 31 December assets sold under repurchase agreements were as follows:

In millions of EUR, as at 31 December

| | 2008 Fair value of underlying assets | 2008 Carrying amount of corresponding liabilities | 2007 Fair value of underlying assets | 2007 Carrying amount of corresponding liabilities |
|---|--|---|---|---|
| Financial assets at fair value through profit or loss | 71 | 23 | - | - |
| Total assets | 71 | 23 | - | - |

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

In millions of EUR, as at 31 December

| | 2008 | 2008 | 2008 | 2007 | 2007 | 2007 |
|---------------------------------|--|---|--------------------------------------|---|---|--------------------------------------|
| | Fair value of assets received as collateral | Fair value of assets repledged or sold | Carrying amount of receivables | Fair value of assets received as collateral | Fair value of assets repledged or sold | Carrying amount of receivables |
| Loans and advances to banks | 283 | - | 287 | 108 | 33 | 167 |
| Loans and advances to non-banks | 105 | - | 82 | 22 | - | 14 |
| Other loans and receivables | - | 70 | 23 | | | |
| Total loans and advances | 388 | 70 | 392 | 130 | 33 | 181 |

F.28. Off balance sheet items**F.28.1. Commitments and contingent liabilities**

The contractual amounts of commitments and contingent liabilities are set out in the following table by category. The amounts reflected in the table for commitments assume that these amounts have been fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the balance sheet date if the counterparties failed completely to meet their contractual obligations.

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

In millions of EUR, as at 31 December

| | 2008 | 2007 |
|---|--------------|--------------|
| Loan commitments | 1 608 | 969 |
| Revocable with original maturity less than 1 year | 489 | 419 |
| Other | 1 119 | 550 |
| Guarantees provided | 55 | 198 |
| Non-payment guarantees | 1 | 12 |
| Non-revocable letters of credit | - | 1 |
| Payment guarantees | 54 | 179 |
| Other | - | 6 |
| Total commitments and contingent liabilities | 1 663 | 1 167 |

Increase of loan commitments relates mainly to growth of consumer finance business in 2008.

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

The following table shows secured liabilities:

In millions of EUR, as at 31 December

| | 2008 | 2007 |
|----------------------------------|--------------|------------|
| Secured bank loans | 2 573 | 76 |
| Debt securities issued | 454 | 469 |
| Total secured liabilities | 3 027 | 545 |

The assets pledged as security were as follows:

In millions of EUR, as at 31 December

| | 2008 | 2007 |
|---|--------------|--------------|
| Financial assets at fair value through profit or loss (repo operations) | 71 | - |
| Financial assets available-for-sale | - | 2 |
| Loans and receivables due from banks and other financial institutions | 9 | 61 |
| Loans and receivables due from non-banks | 857 | 880 |
| Other assets | - | 1 |
| Investments in subsidiaries, associates and joint ventures | 2 980 | 32 |
| Investment property | 154 | - |
| Property, plant and equipment | 87 | 69 |
| Total assets pledged as security | 4 158 | 1 045 |

Significant part of secured liabilities represents Calyon facility and financing of Polymetal shares acquisition, secured by share in Generali PPF Holding, resp. share in Polymetal.

F.28.2. Other contingencies

F.28.2.1. Legal

The Group (as a former sole shareholder of Česká pojišťovna a.s.) is involved in 5 cases where the adequacy of the consideration paid to minority shareholders arising from the decision of the general meeting of Česká pojišťovna a.s. company adopted in July 2005 approving a squeeze-out of minority shareholders is challenged at the court. Based on legal analyses carried out by external legal counsel, management of the company believes that it is unlikely that any of these cases will be concluded in favour of the plaintiff.

F.28.2.2. Taxation

The taxation systems in the Russian Federation, in the Republic of Kazakhstan, in the Republic of Belarus and in Ukraine are relatively new and are characterized by frequent changes in legislation which are subject to varying interpretation by different tax authorities. Taxes are

subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during several subsequent calendar years. Recent events within the Russian Federation, the Republic of Kazakhstan, the Republic of Belarus and Ukraine suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

The facts mentioned above may create tax risks in respective countries that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian, Kazakhstan, Belarusian and Ukrainian tax legislation, official pronouncements and court decisions.

F.28.3. Guarantee received and off-balance sheet assets

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

In millions of EUR, as at 31 December

| | 2008 | 2007 |
|---|--------------|------------|
| Guarantees – received | 455 | 250 |
| Loan commitments – received | 350 | 200 |
| Value of property received as collateral | 1 305 | 441 |
| Receivables on shares, bonds and promissory notes | 8 | - |
| Total contingent assets | 2 118 | 891 |

Increase of property received as collateral relates to repo operations and growth of provided loans.

F.29. Related parties**F.29.2. Identity of related parties**

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

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

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

F.29.3. Transactions with statutory bodies and executive officers

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

In millions of EUR, for the year ended 31 December

| | 2008 | 2007 |
|--|------|------|
| Board of Directors of the parent company | 0.7 | 0.4 |
| Key executive officers | 21 | 16 |

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

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

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

F.29.4. Transactions with associates

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

In millions of EUR, for the year ended 31 December

| | 2008 | 2007 |
|--|-------------|----------|
| Interest and similar income | 7 | - |
| Fee and commission income | 74 | - |
| Net gain/loss on financial assets | 2 | - |
| Net expense related to credit risk insurance | 5 | - |
| Other income | 2 | - |
| Total revenue | 90 | - |
| Interest and similar expense | (26) | - |
| Operating expense | (2) | - |
| Total expense | (28) | - |

At the balance sheet date the Group has the following balances with associates.

In millions of EUR, for the year ended 31 December

| | 2008 | 2007 |
|---|--------------|----------|
| Cash and cash equivalents | 45 | - |
| Financial assets at fair value through profit or loss | 64 | - |
| Loans and receivables due from banks and other financial institutions | 70 | - |
| Other assets | 7 | - |
| Total assets | 186 | - |
| Current accounts, deposits and loans from non-banks | (260) | - |
| Liabilities due to banks and other financial institutions | (70) | - |
| Debt securities issued | (275) | - |
| Other liabilities | (86) | - |
| Total liabilities | (691) | - |

F.29.5. Other related parties

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

In millions of EUR, for the year ended 31 December

| | 2008 | 2007 |
|---|------------|------------|
| Interest and similar income | 1 | - |
| Other income from financial assets | - | 1 |
| Other income | 2 | - |
| Net income from investment in subsidiaries, associates and joint ventures | 1 | - |
| Total revenue | 4 | 1 |
| Acquisition costs and other operating expenses | (1) | (3) |
| Total expenses | (1) | (3) |

At the balance sheet date the Group has the following balances with other related parties:

In millions of EUR as at 31 December

| | 2008 | 2007 |
|---|------------|------------|
| Investments in non- consolidated subsidiaries | - | 7 |
| Financial assets at fair value through profit or loss | - | 52 |
| Loans and receivables due from non-banks | 15 | - |
| Other assets | 1 | - |
| Total assets | 16 | 59 |
| Accruals and deferred income | - | (1) |
| Current accounts, deposits and loans from non-banks | (7) | - |
| Total liabilities | (7) | (1) |

F.30. Earnings per share

The next table shows the earnings per share:

In millions of EUR, for the year ended 31 December

| | 2008 | 2007 |
|--|---------|--------|
| Net profit for the year attributable to equity holders of the Parent | 2 489 | 244 |
| Net profit from continuing operations attributable to equity holders of the Parent Company | (207) | 12 |
| Net profit from discontinued operations | 2 696 | 232 |
| Weighted average number of shares | 66 738 | 66 738 |
| Basic and Diluted earnings per share for profit for the year (EUR) | 37 295 | 3 656 |
| Basic and Diluted earnings per share for profit from continuing operations (EUR) | (3 102) | 180 |
| Basic and Diluted earnings per share for profit from discontinued operations (EUR) | 40 397 | 3 476 |

The earnings per share figure is calculated by dividing the consolidated net income by the weighted average number of common shares outstanding.

The diluted earnings per share figure was not calculated because there were no dilutive securities.

F.31. Fair value of assets and liabilities

The table below compares the carrying and fair value of financial assets:

In millions of EUR, as at 31 December

| | 2008 Carrying amount | 2008 Fair value | 2007 Carrying amount | 2007 Fair value |
|--|-------------------------|--------------------|-------------------------|--------------------|
| Cash and cash equivalents | 852 | 852 | 499 | 499 |
| Financial assets at fair value through profit or loss | 605 | 605 | 114 | 114 |
| Financial assets available-for-sale | 164 | 164 | 244 | n/a |
| Loans and receivables due from banks & other fin. institutions | 758 | 758 | 421 | 421 |
| Loans and receivables due from non-banks | 2 850 | 2 797 | 2 602 | 2 602 |
| Other loans and receivables | 953 | 953 | - | - |
| Other assets | 283 | 283 | 53 | 53 |
| Total financial assets | 6 465 | 6 412 | 3 933 | n/a |

The fair value of a financial instrument is defined as the amount for which a financial instrument could be exchanged between two willing parties in the ordinary course of business. The fair value is based on market prices.

For financial assets which are carried at fair value in the financial statements and for which market prices are not available, the fair value is calculated by using the present value of future cash flows method. The discount rates used are calculated as the risk free rate for the currency of the financial instrument adjusted for an appropriate risk margin. For financial assets and liabilities with the maturity of less than one year, the fair value is assumed to be equal to the carrying amount.

A comparison between the fair value and carrying value of financial liabilities is shown below:

In millions of EUR, as at 31 December

| | 2008 Carrying amount | 2008 Fair value | 2007 Carrying amount | 2007 Fair value |
|---|-------------------------|--------------------|-------------------------|--------------------|
| Debt securities issued | 1 783 | 1 663 | 1 458 | 1 457 |
| Other liabilities | 194 | 194 | 92 | 92 |
| Financial liabilities at fair value through profit or loss - held for trading | 93 | 93 | 50 | 50 |
| Liabilities to banks | 3 193 | 3 189 | 866 | 866 |
| Liabilities to non-banks | 1 456 | 1 454 | 712 | 712 |
| Total financial liabilities | 6 719 | 6 593 | 3 178 | 3 177 |

F.32. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions 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.

Impairment of loans and receivables

The Group assesses at each balance sheet date whether there is objective evidence that any loan or receivable, or group of loans or receivables, is impaired. Impairment arises as a result of one or more events that occurred subsequent to initial recognition of the loan or receivable, or group of loans or receivables, with an impact on the estimated future cash flows that can be reliably estimated.

Objective evidence that a loan or receivable, or a group of loans or receivables, is impaired includes observable data that comes to the attention of the Group about the following loss events:

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as default on interest or principal payments;
- the disappearance of an active market for that financial asset due to financial difficulties of the issuer or the debtor.

The Group first assesses whether objective evidence of impairment exists individually for any loan or receivable that is individually significant, and individually or collectively for any loans or receivables that are not individually significant. For the purposes of a collective evaluation of impairment, loans and receivables are grouped on the basis of similar credit risk characteristics.

Future cash flows from loans and receivables are estimated on the basis of contractual cash flows and historical loss experience of loans and receivables with similar credit risk characteristics. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between the loss estimates and the actual loss experience.

Estimated impairment of goodwill (incl. goodwill as a part of investment in associates)

The Group tests at least annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note D.1.2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations.

Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these issues is different from the amounts that were initially recorded, such differences will affect the income tax and deferred tax provisions in the period in which such determination is made.

Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded on an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and to determine appropriate assumptions that are mainly based on market conditions existing at each balance sheet date.

Fair value of investment property

Fair value of investment property portfolio has been principally determined based on appraisals by an independent external expert. For other investment properties fair value is calculated internally by using the discounted cash flow method. Such valuations required the use of judgment and assumptions about future market conditions. For more details refer to F.6.

G. Subsequent events

G.1. Sale of Zentiva shares

In April 2008 the Group approved its acting in concert with Generali PPF Holding B.V. and its affiliates to assert and increase their joint influence on operations in ZENTIVA N.V. In July 2008 Sanofi-Aventis, the biggest minority shareholder, launched its competitive voluntary bid for ZENTIVA shares with a final acceptance period ending (after several amendments) in February 2009. On 19 February 2009 the Group and Generali PPF Holding B.V. (and its affiliates) finally accepted the bid and sold all shares of ZENTIVA N.V.

G.2. Joint venture with J&T Group

In February the Group and J&T Group announced their agreement to establish a new holding company focusing on the area of industry and energy. The new holding will consist of selected energetic and industrial businesses contributed by affiliates of J&T Group. PPF Group will indirectly (through its private equity subsidiary PPF Partners) acquire 20% stake in this holding for consideration of BCZK 3. PPF Partners will also hold on behalf of Generali (being one of the investor into PPF Partners fund) further 20% stake in the new holding (the respective consideration is also BCZK 3). The process of forming the new holding is to be formally completed in upcoming months.

G.3. Acquisition of controlling stake in Eldorado

In 2008 the Group started to provide financial support to Eldorado, the Russia's largest electronics and domestic appliances retailer (refer to F.2.6). Part of the funding was participated by Generali. On 13 April 2009 PPF Group signed documentation with entities belonging to Mr. Igor Yakovlev, the Russian businessman owning Eldorado, on conversion of a part of the loan (in amount approx. MUSD 300) into 50%+1 stake in Eldorado. The controlling stake in Eldorado will be held by a new holding company controlled by PPF Group with the residual minority stake held by Generali. The transaction has been already approved by Federal Antimonopoly Service of Russia and it is to be formally finalized in upcoming months.

G.4. Refinancing of Home Credit – change in securitization

In April 2009, the Group repaid variable funding loan notes issued through HCF Funding No.1 B.V. as part of securitization of a pool of revolving loan receivables originated by Home Credit a.s. in the amount of MEUR 152.


G.5. PPF Partners

During 2008 the Group and Generali Group agreed on establishment of a new private equity partnership named PPF Partners. The General partner and a management company is under the control of the Group, limited partners differ based on individual partnerships in two separate

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funds. During December 2008 „PPF Partners fund 2008“ has signed acquisition contracts for several private equity investments in total amount 246 EUR million. The acquisitions were not completed in 2008 and till the date of these financial statements only some transfers of individual investments (but majority in terms of the invested amount) were completed. PPF Group is not participating as a limited partner in these investments.

| | |
|-------------|--|
| Date: | Signature of the Authorised Representative: |
| 22 May 2009 |  |

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PPF Group N.V.

Unconsolidated financial statements for the year ended 31 December 2008

UNCONSOLIDATED BALANCE SHEET

As at 31 December

In millions of EUR

| | Note | 2008 | 2007 |
|--|------|--------------|--------------|
| Assets | | | |
| Investments in subsidiaries, associates and joint ventures | A1 | 4 430 | 1 727 |
| Cash and cash equivalents | A2 | 229 | 5 |
| Receivables and other assets | A3 | 1 460 | 268 |
| Total assets | | 6 119 | 2 000 |
| Shareholders' equity and liabilities | | | |
| Issued capital | | 1 | 1 |
| Share premium | | 677 | 677 |
| Retained earnings | | 3 025 | 748 |
| Total shareholders' equity | A4 | 3 703 | 1 426 |
| Liabilities | | | |
| Other liabilities | A5 | 2 416 | 574 |
| Total liabilities | | 2 416 | 574 |
| Total shareholders' equity and liabilities | | 6 119 | 2 000 |

PPF Group N.V.

Unconsolidated financial statements for the year ended 31 December 2008

UNCONSOLIDATED INCOME STATEMENT

For the year ended 31 December

In millions of EUR

| | 2008 | 2007 |
|--|--------------|-------------|
| Result of group companies after taxation | 2 578 | 271 |
| Other results after taxation | (89) | (27) |
| Net profit for the year | 2 489 | 244 |

PPF Group N.V.

General information

GENERAL INFORMATION

Unconsolidated financial statements of PPF Group N.V. should be read in conjunction with the consolidated financial statements.

Accounting principles

These unconsolidated financial statements are prepared in accordance with the financial reporting requirements included in Part 9 of Book 2, of the Netherlands Civil Code. The principles of valuation and determination of results described in the consolidated financial statements are also applicable to the unconsolidated financial statements. Investments in group companies and investments in associates are initially recognised at cost and subsequently accounted for by the equity method of accounting.

The accounting policies with regard to presentation and disclosures are in accordance with the financial reporting requirements included in Part 9 of Book 2, of the Netherlands Civil Code. The income statement has been drawn up in accordance with Section 402, Book 2, of the Dutch Civil Code.

The Directors authorised the unconsolidated financial statements for issue on 22 May 2009.

Identification

PPF Group N.V. was incorporated on 29 December 1994. The objectives of the company are to manage, finance and participate in other companies.

Amounts

All amount are stated in Euros ("EUR"), rounded to the nearest million.

Until 31 December 2007 PPF Group N.V. presented unconsolidated financial statement in CZK (Czech Crowns), domestic currency of the Czech Republic. In 2008 PPF Group N.V. changed its functional and presentation currency from CZK to EUR commencing 1 January 2008. 2007 figures were recalculated using an exchange rate 26.62 CZK/EUR.

Result from participating interest

The share in the result from participating interest of participating interests consists of the share of the company in the result of these participating interests. Results on transactions, with transfer of assets and liabilities between the company and its participating interests and between participating interests are not recorded if unrealized.

PPF Group N.V.

Notes to the unconsolidated financial statements for the year ended 31 December 2008

NOTES TO THE BALANCE SHEET

A.1 Investments in subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint ventures comprise the following:

In millions of EUR as at 31 December

| | 2008 | 2007 |
|---|--------------|--------------|
| Subsidiaries | 4 503 | 1 727 |
| Total investments in subsidiaries, associates and joint ventures | 4 503 | 1 727 |

Movements in subsidiaries comprise the following:

In millions of EUR as at 31 December

| | 2008 | 2007 |
|---|--------------|--------------|
| Opening balance | 1 727 | 1 283 |
| Additional investments in group companies | 1 453 | 475 |
| Decrease of investments in group companies | (11) | - |
| Disposal of group companies | (2) | (8) |
| Dividend distribution | (1 103) | (204) |
| Other movements in shareholders' equity, other income and expense | (212) | (90) |
| Result of group companies | 2 578 | 271 |
| Closing balance | 4 430 | 1 727 |

A.2 Cash and cash equivalents

Cash and cash equivalents comprise the following:

In millions of EUR as at 31 December

| | 2008 | 2007 |
|--------------|------------|----------|
| Cash | 229 | 5 |
| Total | 229 | 5 |

PPF Group N.V.

Notes to the unconsolidated financial statements for the year ended 31 December 2008

A.3 Receivables and other assets

The other assets comprise the following:

In millions of EUR as at 31 December

| | 2008 | 2007 |
|--------------------------------------|--------------|------------|
| Receivables from the group companies | 438 | 267 |
| Other loans and receivables | 846 | - |
| Other assets (prepayments) | 176 | 1 |
| Total other assets | 1 460 | 268 |

Line Other assets contains two significant items. In December 2008 the Company acquired 82% share in PPF Investments Ltd. for MEUR 70. The closing of the transaction is subject of fulfilment of significant conditions precedent so the change of control has not occurred yet to consider the entity as a subsidiary.

In December 2008 the Group acquired control over the real estate group. As the final price has been determined after finalization of all necessary expert valuations on 31 December 2008 other assets contain a final overpayment of the price in amount MEUR 80 that will be remitted in 2009.

A.4 Capital and reserves

The capital and reserves comprise the following:

In millions of EUR as at 31 December

| | 2008 | 2007 |
|-----------------------------------|--------------|--------------|
| Issued capital | 1 | 1 |
| Share premium | 677 | 677 |
| Retained earnings | 3 025 | 748 |
| Total shareholders' equity | 3 703 | 1 426 |

Information on the legal reserves of the company is included in note F.16 of the consolidated financial statements.

PPF Group N.V.

Notes to the unconsolidated financial statements for the year ended 31 December 2008

Following tables show the roll-forward of Shareholders' equity:

In millions of EUR, for the year ended 31 December 2008

| | Issued capital | Share premium | Retained earnings | Total |
|---|----------------|---------------|-------------------|--------------|
| Balance at 1 January | 1 | 677 | 748 | 1 426 |
| Change in revaluation of subsidiaries | - | - | (167) | (167) |
| Total gains and losses recognised directly in equity | - | - | (167) | (167) |
| Net profit for the year | - | - | 2 489 | 2 489 |
| Total recognised income (expense) for the period | - | - | 2 322 | 2 322 |
| Changes in equity through business combinations (discontinued operations) | - | - | (45) | (45) |
| Balance at 31 December | 1 | 677 | 3 025 | 3 703 |

In millions of EUR, for the year ended 31 December 2007

| | Issued capital | Share premium | Retained earnings | Total |
|---|----------------|---------------|-------------------|--------------|
| Balance at 1 January | 1 | 677 | 553 | 1 231 |
| Change in revaluation of subsidiaries | - | - | (95) | (95) |
| Total gains and losses recognised directly in equity | - | - | (95) | (95) |
| Net profit for the year | - | - | 244 | 244 |
| Total recognised income (expense) for the period | - | - | 149 | 149 |
| Difference due to change in presentation currency | - | - | 46 | 46 |
| Balance at 31 December | 1 | 677 | 748 | 1 426 |

PPF Group N.V.

Notes to the unconsolidated financial statements for the year ended 31 December 2008

A.5 Other liabilities

The other liabilities comprise the following:

In millions of EUR, as at 31 December

| | 2008 | 2007 |
|---|--------------|------------|
| Loans from group companies (including associates) | 2 248 | 572 |
| Other | 168 | 2 |
| Total other liabilities | 2 416 | 574 |

The Other consists of loan provided by Generali in amount MEUR 140 used for financing of Eldorado. For more information refer to F.2.6 of the consolidated financial statements.

A.6 Commitments and contingent liabilities

The commitments and contingent liabilities comprise the following:

In millions of EUR, as at 31 December

| | 2008 | 2007 |
|--|------------|----------|
| Loan commitments | 891 | - |
| Revocable with original maturity less than 1 year (within the Group) | 882 | - |
| Other | 9 | - |
| Total commitments and contingent liabilities | 891 | - |

A.7 Audit and related services

In 2008 PPF Group N.V. and its subsidiaries incurred expenses for the following services provided by KPMG Accountants N.V.: TEUR 559 for audit of financial statements, TEUR 30 for other audit services and TEUR for tax services.

PPF Group N.V.

Other information

OTHER INFORMATION

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Auditor's report

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Post balance sheet events

Cautionary statement with respect to forward-looking statements

PPF Group N.V.

Other information

Auditors' report

To: the board of directors of PPF Group N.V.

AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements 2008 of PPF Group N.V., Amsterdam. The financial statements consist of the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2008, the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The company financial statements comprise the company balance sheet as at 31 December 2008, the company profit and loss account for the year then ended and the notes.

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of PPF Group N.V. as at 31 December 2008, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of PPF Group N.V. as at 31 December 2008, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amstelveen, 27 May 2009

KPMG ACCOUNTANTS N.V.

M. Frikkee RA

PPF Group N.V.

Other information

Profit appropriation

Profits and Distributions is given by Article 21 of the company's Articles of Associations.

The allocation of profits accrued in a financial year shall be determined by the Shareholders' Body. Distribution of profits shall be made after adoption of the annual accounts if permissible under the law given the contents of the annual accounts. The Shareholders' Body may resolve to make interim distributions and/or to make distributions at the expense of any reserve of the Company. Distributions may be made only up to an amount which does not exceed the amount of the Distributable Equity and, if it concerns an interim distribution, the compliance with the requirement is evidenced by an interim statement of assets and liabilities as referred to in section 2:105 subsection 4, of the Dutch Civil Code.

Profit appropriation for the 2008

The Board of Directors proposes the profit for 2008 to be retained.

Number of employees

The company had average number of 7 employees during 2008.

PPF Group N.V.

Other information

Post balance sheet events

For post balance sheet events refer to note G of the consolidated financial statements of PPF Group N.V. for the year ended 31 December 2008.

PPF Group N.V.

Other information

Cautionary statement with respect to forward-looking statements

Certain statements contained in this annual report are statement of future expectations and other forward-looking statements that are base on management's current view, estimates and assumptions about future events.

These forward-looking statements are subject to certain risks, uncertainties and special circumstances or events that may cause results to differ materially form those expressed or implied in such statements.

Three handwritten signatures in blue ink, likely representing the management of PPF Group N.V., are displayed horizontally. The first signature is a stylized, cursive 'P'. The second signature is more legible, appearing to be 'Gini'. The third signature is a long, sweeping cursive stroke.