To: The Board of Directors of PPF Group N.V.

# Review report

## Introduction

We have reviewed the accompanying condensed consolidated interim financial information for the 6 month period ended 30 June 2008, of PPF Group N.V., Amsterdam, which comprises the balance sheet as at 30 June 2008, the profit and loss account, statement of changes in equity and cash flow statement for the 6 month period then ended. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

## Scope of Review

We conducted our review in accordance with Dutch law including standard 2410, "Review of Interim Financial Information Performed by the Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at 30 June 2008 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union.

Amstelveen, 2 oktober 2008

KPMG ACCOUNTANTS N.V.

M.Frikkee RA



KPMG Accountants N.V., registered with the Chamber of Commerce in the Netherlands under number 33263683, is a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

# PPF GROUP N.V.

*Interim consolidated financial statements for the first half of 2008*

# Contents

# INTERIM CONSOLIDATED FINANCIAL STATEMENTS

# Interim consolidated balance sheet

As at 30 June 2008

*In millions of EUR*

| | Note | 30 June 2008 | 31 December 2007 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | F1 | 546 | 499 |
| Financial assets at fair value through profit and loss | F2.1 | 293 | 114 |
| Financial assets available-for-sale | F2.2 | 40 | 244 |
| Loans and receivables due from banks and other financial institutions | F2.3 | 307 | 421 |
| Loans and receivables due from customers | F2.4 | 2 972 | 2 602 |
| Other loans and receivables | F2.5 | 595 | - |
| Current income tax receivable | | - | 1 |
| Deferred tax assets | | 37 | 28 |
| Other assets | F6 | 90 | 53 |
| Non-current assets held for sale | A4 | 8 | 5 735 |
| Investments in associates | F3 | 3 499 | - |
| Property, plant and equipment | F4 | 296 | 277 |
| Intangible assets | F5 | 104 | 102 |
| **TOTAL ASSETS** | | **8 787** | **10 076** |
| **LIABILITIES** | | | |
| Due to non-banks | F7 | 1 240 | 712 |
| Due to banks and other financial institutions | F8 | 1 508 | 866 |
| Debt securities issued | F9 | 1 651 | 1 458 |
| Financial liabilities at fair value through profit or loss | F10 | 80 | 50 |
| Liabilities held for sale | A4 | 3 | 5 443 |
| Current income tax liability | | 8 | 14 |
| Deferred tax liability | | 9 | 9 |
| Other liabilities | F11 | 139 | 92 |
| **TOTAL LIABILITIES** | | **4 638** | **8 644** |
| **CONSOLIDATED EQUITY** | | | |
| Issued capital | F12 | 1 | 1 |
| Share premium | F12 | 677 | 677 |
| Other reserves | F12 | (65) | (41) |
| Retained earnings | F12 | 3 529 | 789 |
| Total equity attributable to equity holders of the Parent | | 4 142 | 1 426 |
| Minority interests | | 7 | 6 |
| **Total consolidated equity** | | **4 149** | **1 432** |
| **TOTAL LIABILITIES AND EQUITY** | | **8 787** | **10 076** |

# Interim consolidated income statement

For the six months ended 30 June 2008

*In millions of EUR*

| | Note | 30 June 2008 | 30 June 2007 |
|---|---|---|---|
| Interest income | | 507 | 327 |
| Interest expense | | (106) | (59) |
| **Net interest income** | F13 | **401** | **268** |
| Fee and commission income | | 110 | 47 |
| Fee and commission expense | | (40) | (24) |
| **Net fee and commission income** | F14 | **70** | **23** |
| Net gain/loss on financial assets | F15 | 4 | (8) |
| Net impairment losses on financial assets | F16 | (155) | (115) |
| Net expense related to credit risk insurance | F17 | (7) | (3) |
| **Other banking result** | | **(158)** | **(126)** |
| **NET BANKING INCOME** | | **313** | **165** |
| **Operating income** | F18 | **21** | **14** |
| General administrative expenses | F19 | (271) | (155) |
| Other operating expense | | (19) | (10) |
| **Operating expense** | F20 | **(290)** | **(165)** |
| Share of earnings of associates | | 14 | - |
| **PROFIT/(LOSS) BEFORE TAX** | | **58** | **14** |
| Income tax expense | | (24) | (13) |
| **NET PROFIT FROM CONTINUING OPERATIONS** | | **34** | **1** |
| Profit (loss) from discontinued operations | A4 | 2 697 | 214 |
| **NET PROFIT FOR THE PERIOD** | | **2 732** | **215** |
| Net profit attributable to minority interests | | 1 | - |
| **NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT** | | **2 731** | **215** |
| Weighted average number of shares | F12.1 | 66 738 | 66 738 |
| Basic and Diluted earning per share for profit for the period (EUR) | F24 | 40 921 | 3 222 |
| Basic and Diluted earning per share for profit from continuing operations (EUR) | F24 | 509 | 15 |

The interim consolidated financial statements were approved by the Board of Directors of the Company on 2 October 2008.

# Interim consolidated statement of changes in equity

*In millions of EUR, for the for the six months ended 30 June 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 2008** | **1** | **677** | **(25)** | **-** | **28** | **(74)** | **30** | **789** | **1 426** | **6** | **1 432** |
| Currency translation differences | - | - | - | - | - | (15) | - | - | (15) | - | (15) |
| **Total gains and losses recognised directly in equity** | **-** | **-** | **-** | **-** | **-** | **(15)** | **-** | **-** | **(15)** | **-** | **(15)** |
| Net profit for the period | - | - | - | - | - | - | - | 2 731 | 2 731 | 1 | 2 732 |
| **Total recognised income (expense) for the period** | **-** | **-** | **-** | **-** | **-** | **(15)** | **-** | **2 731** | **2 716** | **1** | **2 717** |
| Disposal of CZIH Group | - | - | 25 | - | (21) | 16 | (30) | 10 | - | - | - |
| Net allocation to legal and statutory reserves (other than from Net profit) | - | - | - | - | 1 | - | - | (1) | - | - | - |
| **Balance at 30 June 2008** | **1** | **677** | **-** | **-** | **8** | **(73)** | **-** | **3 529** | **4 142** | **7** | **4 149** |

*In millions of EUR, for the six months ended 30 June 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 2007** | **1** | **677** | **20** | **5** | **19** | **(69)** | **20** | **558** | **1 231** | **5** | **1 236** |
| Currency translation differences | - | - | - | - | - | 13 | - | - | 13 | - | 13 |
| Valuation gains (losses) taken to equity for AFS | - | - | (20) | - | - | - | - | - | (20) | - | (20) |
| AFS revaluation gains transferred to income statement | - | - | (21) | - | - | - | - | - | (21) | - | (21) |
| Tax on items taken directly to or transferred from equity | - | - | 7 | - | - | - | - | - | 7 | - | 7 |
| **Total gains and losses recognised directly in equity** | **-** | **-** | **(34)** | **-** | **-** | **13** | **-** | **-** | **(21)** | **-** | **(21)** |
| Net profit for the period | - | - | - | - | - | - | - | 214 | 214 | - | 214 |
| **Total recognised income (expense) for the period** | **-** | **-** | **(34)** | **-** | **-** | **13** | **-** | **214** | **193** | **-** | **193** |
| Net allocation to legal and statutory reserves (other than from Net profit) | - | - | - | - | 3 | - | - | (3) | - | - | - |
| Changes in catastrophe and equalisation reserves | - | - | - | - | - | - | 4 | (4) | - | - | - |
| Difference due to change in presentation currency (D2.2) | - | - | (2) | - | - | (66) | - | 12 | (56) | | (56) |
| **Balance at 30 June 2007** | **1** | **677** | **(16)** | **5** | **22** | **(122)** | **24** | **777** | **1 368** | **5** | **1 373** |

# Condensed interim consolidated statement of cash flows

For the first half ended 30 June, prepared using the indirect method

*In millions of EUR*

| | 2008 | 2007 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit before tax | 2 755 | 288 |
| Adjustments for: | | |
| Consolidated gains/losses on disposal of consolidated subsidiaries and associates | (2 697) | - |
| Interest expense | 106 | 59 |
| Interest income | (507) | (375) |
| Other adjustments | (58) | (21) |
| Change in assets and liabilities | (637) | (410) |
| **Net cash from operating activities** | **(1 038)** | **(459)** |

| | 2008 | 2007 |
|---|---|---|
| **Cash flows from investing activities** | | |
| Interest received | 452 | 362 |
| Acquisition of subsidiaries and associates, net of cash acquired | (503) | (6) |
| Proceeds from disposal of subsidiaries and associates | 1 100 | - |
| Other movements | (36) | (101) |
| **Net cash from investing activities** | **1 013** | **255** |
| **Cash flows from financing activities** | | |
| Interest paid | (145) | (25) |
| Change in debt securities issued | 200 | 119 |
| **Cash flow from financing activities** | **55** | **94** |
| **Net increase (decrease) in cash and cash equivalents** | **30** | **(110)** |
| **Cash and cash equivalents as at 1 January** | **499** | **410** |
| Effect of exchange rate changes on cash and cash equivalents | 17 | (10) |
| **Cash and cash equivalents as at 30 June** | **546** | **290** |

# NOTES TO THE INTERIM 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 interim consolidated financial statements of the Parent Company as at and for the six months ended 30 June 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.

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

_Structure of Ultimate shareholders:_
As at 30 June 2008, the shareholder structure was as follows:

Petr Kellner 94,36% (directly and indirectly)
Jiří Šmejc 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 2 October 2008.

## _A.2. Statement of compliance_

These interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements as at and for the year ended 31 December 2007.

## _A.3. Basis of preparation_

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

These interim consolidated financial statements are presented in EUR, rounded to the nearest million.

Until 31 December 2007 the Group presented consolidated financial statement in CZK (Czech Crowns), domestic currency of the Czech Republic. In 2008 The Group decide to change its presentation currency (see D 2.2.) 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.

Since 2008 the Group structure significantly changed after the disposal of CZIH Holdings N. V. (“CZIH Group”) . After this transaction, majority of the Group business consists of banking activities and the Group does not control any entity focusing on insurance business. From that reason presentation structure of the financial statements was adjusted in order to correspond to the financial statements of banks and financial institutions rather than to an insurance group.

## _A.4. Assets and liabilities held for sale and discontinued operations_

Assets and liabilities held for sale as at 31 December 2007 represent all assets and liabilities of CZIH Group 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. (for more details see C.3).

Profit from the transaction amounted MEUR 2 697 and it is recorded as profit from discontinued operations (see C.3 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 more details about this transaction see 2007 consolidated financial statements.

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.

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. (other)
- ČP DIRECT, a.s. (other)
- ČP INVEST investiční společnost, a.s. (banking)
- CP Strategic Investments B.V. (other)
- PPF Asset Management a.s. (banking)
- První Callin agentura a.s. (other)
- Univerzální správa majetku a.s. (other)

In 2008 (resp. 2007) residual assets and liabilities held for sale represent assets and liabilities of PrivatInvest (LLC), the Ukrainian subsidiary acquired by the Group in November 2007 with a view to sale within one year.

# B. Segment reporting

Since 2008 the Group structure significantly changed after the disposal of CZIH Group. Insurance segment is no more relevant for presentation as it is accounted for using an equity method of consolidation. The majority of the Group business consists of banking activities.

From that reason segment information is presented in respect of the Group's geographical segments based on the Group's management and internal reporting structure.

The Group operates in five principal 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.

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.

Balances in un-allocated segment represent mainly holding companies providing on-lending within the Group and investment interests of these holding companies.

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 the first half of 2008:

*In millions of EUR*

| | Czech Republic | Slovak Republic | Russian Federation | East European/ Asian countries | China | Other | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|---|
| Revenue from external customers | 91 | 21 | 467 | 45 | - | 14 | - | 638 |
| Inter-segment revenue | 43 | - | - | 1 | 2 | 49 | (95) | - |
| **Total revenue from continuing operations** | **134** | **21** | **467** | **46** | **2** | **63** | **(95)** | **638** |
| **Segment result from continuing operations** | **38** | **3** | **31** | **(6)** | **(17)** | **9** | **-** | **58** |
| Depreciation and amortization | (5) | - | (11) | (2) | (1) | - | - | (19) |
| Other significant non-cash expenses | (4) | (7) | (124) | (18) | (1) | - | - | (154) |
| **Segment assets** | **1 859** | **157** | **3 384** | **368** | **212** | **5 397** | **(2 628)** | **8 749** |
| Investments in associates | - | - | 999 | - | - | 2 500 | - | 3 499 |
| **Segment liabilities** | **1 630** | **147** | **1 977** | **240** | **59** | **3 206** | **(2 638)** | **4 621** |

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.

Investment in associate presented in Other represent investment in Generali PPF Holding.

The following table shows main items from the financial statements broken down according to the geographical segment for the first half of 2007:

*In millions of EUR*

| | Czech Republic | Slovak Republic | Russian Federation | East European/ Asian countries | China | Other | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|---|
| Revenue from external customers | 77 | 15 | 264 | 31 | - | 1 | - | 388 |
| Inter-segment revenue | 45 | - | 10 | 2 | - | 7 | (64) | - |
| **Total revenue from continuing operations** | **122** | **15** | **274** | **33** | **-** | **8** | **(64)** | **388** |
| **Segment result from continuing operations** | **(1)** | **4** | **16** | **(7)** | **(3)** | **5** | **-** | **14** |
| Depreciation and amortization | (4) | - | (5) | (1) | - | - | - | (10) |
| Other significant non-cash expenses | (3) | (3) | (98) | (11) | - | - | - | (115) |
| **Segment assets** | **1 606** | **128** | **2 241** | **355** | **112** | **7 761** | **(2 156)** | **10 047** |
| Investments in associates | - | - | - | - | - | - | - | - |
| **Segment liabilities** | **1 370** | **122** | **1 842** | **220** | **20** | **7 822** | **(2 775)** | **8 621** |

The majority of items profit and loss account presented in these consolidated interim financial statements have been substantially affected by growth of the Group’s business between 2007 and 2008.

# C. Consolidation

## *C.1. Group entities*

The significant subsidiaries as at 30 June 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 |
| Anthiarose Ltd. | Cyprus | 100.00% | 100.00% |
| CF Commercial Consulting Ltd. | China | 100.00% | 100.00% |
| Eurasia Capital S.A. | Luxembourg | 0.00% | 99.99% |
| Eurasia Structured Finance S.A. | Luxembourg | 0.00% | 99.99% |
| Favour Ocean Ltd. | Hong Kong | 100.00% | 100.00% |
| Financial Innovations LLC | Russia | 100.00% | 100.00% |
| Foshan Hengfeng Credit Guarantee Co. Ltd. | China | 100.00% | 100.00% |
| Global Credit Bureau LLC (in liquidation) | Russia | 100.00% | 100.00% |
| Guangdong Hengfeng Financing Guarantee Co., Ltd. | China | 100.00% | 100.00% |
| Guangzhou Yinghuen Economy Energy Equipments Co., Ltd. | China | 100.00% | 100.00% |
| HC ASIA N.V. | Netherlands | 100.00% | 100.00% |
| HC Fin1 B.V. | Netherlands | 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% |
| HC SE | Netherlands | 100.00% | 100.00% |
| Home Credit a.s. | Czech Republic | 100.00% | 100.00% |
| Home Credit B.V. | Netherlands | 100.00% | 100.00% |
| HOME CREDIT BANK CJSC | Ukraine | 100.00% | 100.00% |
| Home Credit Bank OJSC | Belarus | 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 a.s. | 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% |
| Chongqing Home Credit Guaranty Co. Ltd. | China | 100.00% | 100.00% |
| INFOBOS LLC | Russia | 100.00% | 100.00% |
| Jiangsu Home Credit Guaranty Co. Ltd. | China | 100.00% | 100.00% |
| Liaoning Home Credit Guaranty Co. Ltd. | China | 100.00% | 100.00% |
| LIKO-Technopolis, o.o.o. | Russia | 100.00% | 100.00% |
| Pearlmoon Ltd. | Cyprus | 100.00% | 99.90% |
| PPF Co1 B.V. | Netherlands | 100.00% | 100.00% |
| PPF Co2 B.V. | Netherlands | 100.00% | 100.00% |
| PPF a.s. | Czech Republic | 100.00% | 100.00% |
| PPF banka a.s. | Czech Republic | 92.96% | 92.96% |
| PPF GATE a.s. | Czech Republic | 100.00% | 100.00% |

| | | | |
|---|---|---|---|
| PrivatInvest | Ukraine | 100.00% | 100.00% |
| REDLIONE Ltd. | Cyprus | 100.00% | 100.00% |
| Russia Finance Corporation B.V. | Netherlands | 100.00% | 100.00% |
| Shenzen Xin Chi Commercial Consulting Co. Ltd. | China | 100.00% | 100.00% |
| Shenzhen XinChi Credit Guarantee Co. Ltd. | China | 100.00% | 100.00% |
| Sichuan Home Credit Guaranty Co. Ltd. | China | 100.00% | 100.00% |
| Torpera Ltd. | Cyprus | 100.00% | 100.00% |
| Union Wealth Engineering Ltd. | Hong Kong | 100.00% | 100.00% |
| Zhejiang Home Credit Guaranty Co. Ltd | China | 100.00% | 100.00% |

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.

The significant associates as at 30 June 2008 are following:

| Company | Country of residence | Effective proportion of ownership interest | Effective proportion of voting interest |
|---|---|---|---|
| Nomos-Bank, OJSC | Russia | 29.92% | 29.92% |
| Generali PPF Holding B.V. | Netherlands | 49,00% | 49,00% |
| CP Reinsurance company Ltd.* | Cyprus | 100.00% | 100.00% |
| Czech Insurance Company, Ltd.* | Russia | 100.00% | 100.00% |
| Česká pojišťovna a.s.* | Czech Republic | 100.00% | 100.00% |
| Česká poisťovna – Slovensko, a.s.* | Slovakia | 100.00% | 100.00% |
| Generali Life Insurance AD* | Bulgaria | 99.52% | 99.52% |
| Generali Poistovna a.s./L* | Slovakia | 100.00% | 100.00% |
| Generali Pojistovna a.s.* | Czech Republic | 100.00% | 100.00% |
| Generali Zavarovalnica dd/L* | Slovenia | 99.84% | 99.84% |
| Generali-Providencia Biztosító* | Hungary | 100.00% | 100.00% |
| Penzijní fond České pojišťovny, a.s.* | Czech Republic | 100.00% | 100.00% |
| Generali PPF Asset Management 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.

## _C.2. Acquisitions_

The following table shows the significant acquisitions during first half of 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) |
|---|---|---|---|---|---|
| Nomos-Bank, OJSC | bank | acquisition | 17.4.2008 | 29.92% | 443 |
| Pearlmoon Ltd. | holding company | acquisition | 11.6.2008 | 100.00% | 496 |
| Polymetal, OJSC* | precious metals mining company | acquisition | 11.6.2008 | 24.90% | n/a* |

* acquired through Pearlmoon Ltd.

<u>Nomos-Bank, OJSC</u>

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, 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. Based on the current available information 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.

<u>Polymetal, OJSC</u>

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.

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

The total consideration consists of three parts: fixed payment already paid, fixed deferred payments and variable price adjustment that is linked to the future market price of gold and silver. The deferred payment (that is pledged against Polymetal shares) is recorded under other liabilities due to non-banks, the variable price adjustment as commodity derivative under financial liabilities through profit or loss. Change in fair value of the derivative is recorded against cost of the investment.

The Group holds 24.9% stake which would generally indicate a significant influence however based on the current situation and uncertainties with regards to the current governance structure the Group has not decided about final classification of the investment. The acquisition occurred close to the balance sheet date, there are no representatives in the executive or supervisory bodies at the moment.

From those reasons the investment in Polymetal is presented at cost under investment in associates as a default classification option. The final classification will reflect agreed Group strategy with this investment and its position among the other shareholders.

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

| Established company | Description of entities | Date of first consolidation | Percentage of ownership interest |
|---|---|---|---|
| Shenzhen XinChi Credit Guarantee Co. Ltd. | Guarantee company | 1 April 2008 | 100.00% |

## *C.3. Disposals*

The only significant disposal occurred in 2008 relates to the Generali transaction (see A.4)- 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 125) | 6 354 |
| Goodwill derecognized | 27 |
| Book value of liabilities transferred | (5 478) |
| Consideration (of which cash assumed 1 100) | 3 600 |
| **Profit on disposal** | **2 697** |

# D. Significant accounting policies and assumptions

## _D.1. Significant accounting policies_

The Group applies the same accounting policies in these interim consolidated financial statements as were applied in the recent annual consolidated financial statements for the year ended 31 December 2007, except for the changes described below.

## _D.2. Changes in accounting policies and accounting pronouncements adopted since 1 January 2008_

### D.2.1. 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.

### D.2.2. 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 the first half of 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 dates however the individual items has been translated using conversing rate (closing rate 2007) with corresponding change in the translation reserve.

## *D.3. Group Standards, interpretations and amendments to published standards issued since 1 January 2008 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:

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.

## *D.4. Principal assumptions used in preparation of the interim financial statements*

The Group has applied the same assumptions in these financial statements as were applied in the recently published annual financial statements for the year ended 31 December 2007.

# E. Financial risk management

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2007.

## *E.1. Credit risk*

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.

## *E.2. Liquidity risk*

Notwithstanding the latest development on financial markets the Group is able to obtain external financing for its activities. The Group made successful issues of Eurobonds and domestic bonds as well as obtained bank financing during the interim period. Price of external funds increased compared to previous periods which had corresponding impact on asset pricing and underwriting policies. In January 2008 the Group gained syndicated loan facility of MEUR 2 099 which significantly strengthened the liquidity position of the Group. As of 30 June 2008 the total amount drawn from the facility reached MEUR 770.

In the third quarter of 2008 the entered into a few further projects with direct impact on the Group cash flow. At the moment the Group has sufficient funds to cover its liquidity needs.

# F. Notes to the interim consolidated balance sheet and income statement

## *F.1. Cash and cash equivalents*

Cash and cash equivalents comprise the following:

*In millions of EUR*

| | 30 June 2008 | 31 December 2007 |
|---|---|---|
| Cash and current accounts | 399 | 303 |
| Current accounts with central banks | 17 | 34 |
| Placements with financial institutions due within one month | 130 | 162 |
| **Total cash and cash equivalents** | **546** | **499** |

## *F.2. Financial instruments*

Financial instruments comprise the following:

*In millions of EUR*

| | 30 June 2008 | 31 December 2007 |
|---|---|---|
| Financial assets at fair value through profit and loss held for trading | 293 | 114 |
| Financial assets available-for-sale | 40 | 244 |
| Loans and receivables due from banks and other financial institutions | 307 | 421 |
| Loans and receivables due from customers | 2 972 | 2 602 |
| Other loans and receivables | 595 | - |
| **Total financial instruments** | **4 207** | **3 381** |

### F.2.1. Financial assets at fair value through profit and loss held for trading

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

*In millions of EUR*

| | 30 June 2008 | 31 December 2007 |
|---|---|---|
| Debt securities | 205 | 52 |
| Government and other public-sector bonds | 158 | 29 |
| Corporate bonds | 47 | 23 |
| Equity securities | 10 | 37 |
| Shares | 10 | 37 |
| Positive fair values of derivatives | 78 | 25 |
| **Total** | **293** | **114** |

### F.2.2. Financial assets available-for-sale

Financial assets available-for-sale comprise the following:

*In millions of EUR as at 30 June 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 | 27 | - | - | - | 27 |
| Corporate bonds | 27 | - | - | - | 27 |
| Equity securities | 13 | (1) | - | - | 12 |
| Shares | 5 | (1) | - | - | 4 |
| Mutual funds investments | 8 | - | - | - | 8 |
| **Total financial assets available-for-sale** | **40** | **(1)** | **-** | **-** | **39** |

*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 |
|---|---|---|---|---|---|
| Debt securities | 21 | - | - | - | 21 |
| Government bonds | 21 | - | - | - | 21 |
| Equity securities | 223 | - | - | - | 223 |
| Shares | 215 | - | - | - | 215 |
| Mutual funds investments | 8 | - | - | - | 8 |
| **Total financial assets available-for-sale** | **244** | **-** | **-** | **-** | **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*

| | 30 June 2008 | 31 December 2007 |
|---|---|---|
| Term deposits at banks | 137 | 212 |
| Minimum reserve deposits with the central banks | 20 | 22 |
| Loans to banks | 8 | 8 |
| Loans and advances provided under repo operations | 117 | 167 |
| Other | 25 | 12 |
| **Total loans and receivables due from banks and other financial institutions** | **307** | **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 33 (MEUR 31 in 2007) were pledged as a collateral for secured loan drawn by the Group.

### F.2.4. Loans and receivables due from customers

The following table shows break down of impairment losses relating to loans and receivables due from customers:

*In millions of EUR*

| | 30 June 2008 | 31 December 2007 |
|---|---|---|
| Gross amount | | |
| Consumer loans receivables | 1 134 | 1 222 |
| Cash loan receivables | 591 | 402 |
| Revolving loan receivables | 963 | 897 |
| Car loan receivables | 51 | 23 |
| Mortgage loan receivables | 215 | 132 |
| Personal loan receivables (secured) | 25 | 29 |
| Loans to corporations | 236 | 201 |
| Loans and advances provided under repo operations | 62 | 14 |
| Other | 62 | 48 |
| **Total gross amount** | **3 339** | **2 969** |
| Collective allowances for impairment | | |
| Consumer loans receivables | (131) | (172) |
| Cash loan receivables | (69) | (39) |
| Revolving loan receivables | (155) | (148) |
| Car loan receivables | (2) | (1) |
| Mortgage loan receivables | (1) | (1) |
| Personal loan receivables (secured) | (2) | (2) |
| Loans to corporations | - | (1) |
| Other | (5) | (3) |
| **Total collective impairment** | **(365)** | **(367)** |
| Individual allowances for impairment | | |
| Loans to corporations | (2) | - |
| **Total specific impairment** | **(2)** | **-** |
| **Total carrying amount** | **2 972** | **2 602** |

### F.2.5. Other loans and receivables

The following table shows breakdown of other loans and receivables:

*In millions of EUR*

| | 30 June 2008 | 31 December 2007 |
|---|---|---|
| Loans and receivables | 493 | - |
| Loans and advances provided under repo operations | 102 | - |
| **Total other loans and receivables** | **595** | **-** |

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 described in G.1.

Loans provided under repo operations represent a loan in amount MEUR 102 that is financed by a bank loan received under repo operation in the same value.

## *F.3. Investments in associates*

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

*In millions of EUR*

| | 30 June 2008 |
|---|---|
| Nomos-Bank | 494 |
| Generali PPF Holding | 2 500 |
| Polymetal | 505 |
| **Total investments in associates** | **3 499** |

Nomos-Bank

Since 17 April 2008 investments in associates comprise 29.92% share in Nomos-Bank (see C.2). It represents the banking group comprising 13 entities. The following table summarizes the consolidated financial information related to this associate:

| | 30 June 2008 |
|---|---|
| Total assets | 6 312 |
| Total liabilities | (5 449) |
| **Group's share in equity** | **258** |
| Total revenue | 277 |
| Total net profit | 48 |
| **Group's share in profit** | **14** |

Generali PPF Holding

Since 17 January 2008, investments in associates comprise 49% share in Generali PPF Holding B.V. (see A.4). It represents the insurance group focusing on insurance and pension fund business within the Central and Eastern European region.

After the completion of the transaction with Generali the process of purchase price allocation ("PPA") in accordance with IFRS 3 was initiated. Till the date of issue of this financial statements the Group was not able to receive satisfactory reliable data with respect of detailed allocation of the cost of the business combination to the acquirees' identifiable assets, liabilities, contingent liabilities and separate calculation of goodwill. At the moment the management is discussing the final assumptions and parameters coming into the valuation and difference scenarios with outcome which gives significantly different results with respect of the asset value and its amortization models.

From the reasons stated above the Group decided as the best estimate of initial assessment required by IFRS 3 not to account for any share of earnings of Generali PPF Holding as of 30 June 2008 due to the fact that impact of final PPA adjustment on profit and loss account will be significant. As described above there is a big uncertainty about the final valuation that may substantially affect current Generali PPF Holding result.

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

| | 30 June 2008 |
|---|---|
| Total assets | 13 287 |
| Total liabilities | (8 535) |
| Total revenue | 1 722 |
| Total net profit | 193 |
| **Group's share in profit*** | **95** |
| **Group's share in opening equity** | **2 500** |

* not including PPA adjustments

Polymetal

Since 10 June the Group holds 24.9% stake in Polymetal (see C.2), the Russian precious metals mining company (see C.2). The investment in Polymetal is presented at cost under investment in associates as a default classification option.

## *F.4. Property, plant and equipment*

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

*In millions of EUR for the six months ended 30 June 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 | 11 | 8 | 14 | 33 | - |
| Disposals | - | (6) | - | (6) | - |
| Net foreign exchange differences | 4 | 2 | 2 | 8 | - |
| Balance at 30 June | 238 | 101 | 20 | 359 | 2 |
| Accumulated depreciation and impairment losses | | | | | |
| Balance at 1 January | (4) | (43) | - | (47) | (1) |
| Depreciation charge for the period | (7) | (9) | - | (16) | - |
| Disposals | - | 3 | - | 3 | - |
| Net foreign exchange differences | - | (3) | - | (3) | - |
| Balance at 30 June | (11) | (52) | - | (63) | (1) |
| **Carrying amount at 30 June** | **227** | **49** | **20** | **296** | **1** |

_In millions of EUR, for the year ended 31 December 2007_

| | Land and buildings | Other tangible assets and equipment | Tangible assets under construction | Total | Of which under finance leases |
|---|---|---|---|---|---|
| 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 exchange differences | - | (10) | - | (10) | (1) |
| Balance at 31 December | (4) | (43) | - | (47) | (1) |
| **Carrying amount at 31 December** | **219** | **54** | **4** | **277** | **1** |

## _F.5. Intangible assets_

Intangible assets comprise the following:

_In millions of EUR_

| | 30 June 2008 | 31 December 2007 |
|---|---|---|
| Goodwill | 78 | 78 |
| Software | 20 | 17 |
| Customers lists and relationship | 1 | 2 |
| Trademark | 3 | 3 |
| Other intangible assets | 1 | 1 |
| Intangible assets not in use | 1 | 1 |
| **Total intangible assets** | **104** | **102** |

Goodwill allocated to the Group's business in Ukraine is included in the intangible assets above in the amount of MEUR 78. The recoverable amount of this cash-generating unit was determined as the unit's value in use based on management cash flow projections for the period 2008 to 2010. Key assumptions are those regarding the growth of the local market, expected competition structure and business volumes, yield and loss rates as well as budgeted expenses. The management estimates of the values of key assumptions, which reflect past experience, actual development during the interim period as well as available market forecasts, have not changed significantly during the interim period.

## F.6. Other assets

Other assets comprise the following:

*In millions of EUR*

| | 30 June 2008 | 31 December 2007 |
|---|---|---|
| Settlements with suppliers | 49 | 32 |
| Prepaid expenses | 30 | 13 |
| Goods held for resale supplies and other inventories | 4 | 3 |
| Other taxes receivable | 6 | 2 |
| Insurance receivable net | - | 1 |
| Other | 2 | 3 |
| **Subtotal other assets (gross)** | **91** | **54** |
| Specific allowances for impairment on settlement with suppliers | (1) | (1) |
| **Other assets** | **90** | **53** |

## F.7. Liabilities due to non-banks

Liabilities due to customers comprise the following:

*In millions of EUR*

| | 30 June 2008 | 31 December 2007 |
|---|---|---|
| Current accounts and demand deposits | 597 | 473 |
| Term deposits | 362 | 239 |
| Loans received under repo operations | 33 | - |
| Other | 248 | - |
| **Total liabilities due to customers** | **1 240** | **712** |

Other liabilities represent deferred payment for acquisition of Polymetal shares in amount MEUR 247 payable in two instalments till March 2009.

## F.8. Liabilities due to banks and other financial institutions

Liabilities to banks and other financial institutions comprise the following:

*In millions of EUR*

| | 30 June 2008 | 31 December 2007 |
|---|---|---|
| Repayable on demand | 8 | - |
| Loans received under repo operations | 121 | - |
| Secured loans (other than repo) | 1 027 | 579 |
| Unsecured loans | 347 | 274 |
| Other | 5 | 13 |
| **Total liabilities to banks** | **1 508** | **866** |

In 2007 secured loan contained a short term loan facility in amount MEUR 400 connected to Generali transaction. In 2008 this loan was repaid and substituted with syndicated loan facility in maximum amount MEUR 2 099 available till January 2015. The loan is drawn in 1, 3 or 6 months tranches and it is secured i.a. by pledge of PPF Group's share in Generali PPF Holding B.V. As of 30 June 2008 the total amount drawn is MEUR 770.

Out of the other secured loans stated above the amount of MEUR 143 was secured by pledge of consumer loan receivables and cash loan receivables, the amount of MEUR 57 was secured by pledge of revolving loan receivables and the amount of TEUR 33 was collateralized by a cash deposit.

## F.9. Debt securities issued

*In millions of EUR*

| | Interest rate | Date of maturity | 30 June 2008 | 31 December 2007 |
|---|---|---|---|---|
| USD loan participation notes 4 of TUSD 500,000 | Fixed | June 2011 | 315 | - |
| RUB loan participation notes of TRUB 8 200 000 | Variable | March 2014 | 222 | 227 |
| CZK senior variable loan notes of MCZK 5 000 | Variable | April 2009 | 148 | 132 |
| Unsecured CZK bond issue 1 of MCZK 3 000 | Variable | July 2009 | 130 | 58 |
| USD loan participation notes of TUSD 200 000 | Fixed | April 2010 | 128 | 113 |
| Unsecured CZK bond issue 2 of MCZK 3 000 | Variable | June 2009 | 126 | - |
| Unsecured RUB bonf issue 5 of TRUB 4,000,000 | Variable | April 2013 | 110 | - |
| Class A1 loan note of TEUR 100 000 | Variable | May 2012 | 98 | 98 |
| Unsecured RUB bond issue 4 of MRUB 3 000 | Variable | October 2011 | 83 | 85 |
| Unsecured RUB bond issue 2 of MRUB 3 000 | Variable | May 2010 | 82 | 78 |
| Unsecured RUB bond issue 3 of MRUB 3 000 | Variable | September 2010 | 81 | 81 |
| CZK junior variable loan notes of TCZK 779 221 | Variable | April 2009 | 23 | 10 |
| 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 | - |
| 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 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 |
| Deposit bill of exchange; rate 3,8% | Fixed | July 2008 | 8 | - |
| Deposit bill of exchange; rate 3,75% | Fixed | July 2008 | 2 | - |
| Deposit bill of exchange; rate 3,62% | Fixed | July 2008 | 2 | - |
| Deposit bill of exchange; rate 3,50% | Fixed | July 2008 | 2 | - |
| Deposit bill of exchange; rate 4,08% | Fixed | September 2008 | 21 | - |
| Deposit bill of exchange; rate 4,09% | Fixed | September 2008 | 17 | - |
| Deposit bill of exchange; rate 4,12% | Fixed | October 2008 | 21 | - |
| Deposit bill of exchange; rate 5,09% | Fixed | December 2008 | 16 | - |
| **Total debt securities issued** | | | **1 651** | **1 458** |

The USD denominated loan participation notes 4 were issued by the Group in June 2008 through Eurasia Capital S.A. The proceeds from the issue were used to grant an unsecured loan to the Group. Noteholders have the option to require to redeem any note on the interest payment date on or about 20 December 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 duration 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.

## *F.10. Financial liabilities at fair value through profit and loss*

*In millions of EUR*

| | 30 June 2008 | 31 December 2007 |
|---|---|---|
| Negative market values of derivatives | 52 | 27 |
| Interest rate derivatives | 2 | 1 |
| Currency derivatives | 25 | 26 |
| Commodity derivatives | 24 | - |
| Other derivatives | 1 | - |
| Obligation to deliver securities | 28 | 23 |
| **Financial liabilities at fair value through profit and loss - held for trading** | **80** | **50** |

## *F.11. Other liabilities*

Other liabilities comprise the following:

*In millions of EUR*

| | 30 June 2008 | 31 December 2007 |
|---|---|---|
| Settlements with suppliers | 68 | 42 |
| Wages and salaries | 18 | 14 |
| Social security and health insurance | 1 | 2 |
| Other tax payable | 7 | 6 |
| Finance lease liabilities | 1 | 1 |
| Insurance payable, net | 8 | - |
| Other provisions | 1 | 2 |
| Accrued expenses | 5 | 2 |
| Deferred income | 1 | - |
| Other liabilities | 29 | 23 |
| **Total other liabilities** | **139** | **92** |

## F.12. Consolidated equity

Capital and reserves attributable to equity holders of the Parent Company comprise the following:

*In millions of EUR*

| | 30 June 2008 | 31 December 2007 |
|---|---|---|
| Issued capital | 1 | 1 |
| Share premium | 677 | 677 |
| Undistributable reserves | (65) | (41) |
| Revaluation reserve | - | (25) |
| Legal and statutory reserves | 8 | 28 |
| Translation reserve | (73) | (74) |
| Equalization reserve | - | 30 |
| Prior years retained earnings | 798 | 574 |
| Net profit for the period | 2 731 | 215 |
| Total attributable to equity holders of the Parent | 4 142 | 1 426 |
| Attributable to minority interests | 7 | 6 |
| **Total consolidated equity** | **4 149** | **1 432** |

### F.12.1. Issued capital

The following table provides details of authorized and issued shares:

| | 30 June 2008 | 31 December 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 |

## *F.13. Net interest income*

Interest income comprises the following:

*In millions of EUR, for the six months ended 30 June*

| | 2008 | 2007 |
|---|---|---|
| Financial instruments at fair value through profit and loss held for trading | 3 | 2 |
| Due from banks and other financial institutions | 17 | 8 |
| Consumer loan receivables | 205 | 139 |
| Cash loan receivables | 95 | 35 |
| Revolving loan receivables | 149 | 121 |
| Car loan receivables | 4 | 1 |
| Mortgage loan receivables | 11 | 2 |
| Personal loan receivables (secured) | 2 | 2 |
| Loans to corporations and other loans and receivables | 18 | 15 |
| Other | 3 | 2 |
| **Total interest and similar income** | **507** | **327** |

Interest expense comprises the following:

*In millions of EUR, for the six months ended 30 June*

| | 2008 | 2007 |
|---|---|---|
| Due to customers | 12 | 9 |
| Due to banks and other financial institutions | 28 | 11 |
| Debt securities issued | 65 | 38 |
| Subordinated liabilities | - | 1 |
| Other | 1 | - |
| **Total interest and similar expenses** | **106** | **59** |
| | | |
| **Total net interest income** | **401** | **268** |

## *F.14. Net fee and commission income*

Fee and commission income comprises the following:

*In millions of EUR, for the six months ended 30 June*

| | 2008 | 2007 |
|---|---|---|
| Retailers commissions | 4 | 3 |
| Cash transactions | 20 | 9 |
| Customer payment processing and account maintenance | 5 | 6 |
| Insurance commissions | 37 | 8 |
| Penalty fees | 40 | 17 |
| Other | 4 | 4 |
| **Total fee and commission income** | **110** | **47** |

Fee and commission expense comprises the following:

_In millions of EUR, for the six months ended 30 June_

| | 2008 | 2007 |
|---|---|---|
| Cash transactions | 3 | 2 |
| Payment processing and account maintenance | 6 | 5 |
| Commissions to retailers | 30 | 16 |
| Other | 1 | 1 |
| **Total fee and commission expense** | **40** | **24** |

| | | |
|---|---|---|
| **Total net fee and commission income** | **70** | **23** |

## _F.15. Net gain/loss on financial assets_

Net gain/loss on financial assets comprises only net trading income:

_In millions of EUR, for the six months ended 30 June_

| | 2008 | 2007 |
|---|---|---|
| Securities trading | 2 | 4 |
| Debt securities | - | 1 |
| Equity securities | 2 | 3 |
| FX trading | 1 | 3 |
| Derivatives | 1 | (15) |
| Total net gains/losses on financial assets | **4** | **(8)** |

## _F.16. Net impairment losses on financial assets_

Net impairment losses comprise the following:

_In millions of EUR, for the six months ended 30 June_

| | 2008 | 2007 |
|---|---|---|
| Consumer loan receivables | 71 | 64 |
| Cash loan receivables | 41 | 17 |
| Revolving loan receivables | 42 | 34 |
| Car loan receivables | 2 | - |
| Personal loan receivables (secured) | (1) | - |
| **Total net impairment losses on financial assets** | **155** | **115** |

## *F.17. Net expense related to credit risk insurance*

*In millions of EUR for the six months ended 30 June*

| | 2008 | 2007 |
|---|---|---|
| Consumer loan receivables | 8 | 7 |
| Cash loan receivables | 9 | 5 |
| Revolving loan receivables | 1 | 1 |
| Commission income for collecting defaulted receivables | (11) | (10) |
| **Total net expense related to credit risk insurance** | **7** | **3** |

## *F.18. Operating income*

*In millions of EUR for the six months ended 30 June*

| | 2008 | 2007 |
|---|---|---|
| Income from other assets | 3 | 4 |
| Sales of goods | 7 | 9 |
| Cost of goods sold | (6) | (8) |
| Foreign currency gains/(losses) | 14 | 6 |
| Other income | 3 | 3 |
| **Total other income** | **21** | **14** |

## *F.19. General administrative expenses*

General administrative expenses comprise the following:

*In millions of EUR for the six months ended 30 June*

| | 2008 | 2007 |
|---|---|---|
| Employee compensation | 117 | 67 |
| Payroll related taxes (including pension contribution) | 22 | 15 |
| Advertising and marketing | 9 | 7 |
| Professional services | 31 | 11 |
| Telecommunication and postage | 29 | 14 |
| Travel expenses | 8 | 6 |
| Taxes other than income tax | 2 | 1 |
| Information technologies | 11 | 6 |
| Rental, maintenance and repair expense | 29 | 13 |
| Other | 13 | 15 |
| **Total general administrative expenses** | **271** | **155** |

## *F.20. Other operating expenses*

Other operating expenses comprise the following:

*In millions of EUR for the six months ended 30 June*

| | 2008 | 2007 |
|---|---|---|
| Depreciation on property, plant and equipment | 16 | 7 |
| Amortisation on intangible assets | 3 | 2 |
| Net impairment losses on other assets | (1) | - |
| Loss on disposal of property, plant, equipment, and intangible assets | 1 | 1 |
| **Total net impairment losses recognized** | **19** | **10** |

## *F.21. Contingencies*

### F.21.1. Consumer protection laws

The Russian Federation does not have legislation specifically regulating consumer lending or loan collection. In a court dispute in 2006 between Home Credit and Finance Bank ("HCFB") and the Russian Consumer Protection Service, the Federal Arbitration Court of the Urals Region held that a bank may not: (a) charge a fee to a borrower for the opening of loan accounts with the lending bank as a pre requisite for providing the loan; or (b) charge any prepayment or late payment penalties. In 2006 HCFB amended its standard form consumer lending loan agreements to comply with this decision.

The Group's management has made an assessment of the situation above and considers that in the Russian environment the costs of making claims to have previous commission and penalties refunded for individuals and the potential uncertainty of the legal outcome would outweigh the benefits of making the claims. Consequently management considers the likelihood of a future material outflow of funds is remote and accordingly no provision has been made in these financial statements in respect of the above.

In July 2008 the Federal Antimonopoly Service (FAS) has brought an action against the HCFB on the basis of law "About protection of a competition". However investigation of this case was postponed until 15 September. Group's management consider the likehood of a future material outflow of funds is remote and accordingly no provision has been made in these financial statements in respect of the above.

### F.21.2. Taxation contingencies

The taxation systems in the Russian Federation, in the Republic of Kazakhstan and in Ukraine are relatively new and are characterized by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and 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 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 and Ukrainian tax legislation, official pronouncements and court decisions.

## F.22. Commitments, guarantees and collaterals

Loan commitments and guarantee comprise the following:

*In millions of EUR*

| | 30 June 2008 | 31 December 2007 |
|---|---|---|
| Loans commitments | 1 158 | 969 |
| Revocable with original maturity less than 1 year | 576 | 419 |
| Other | 582 | 550 |
| Guarantees provided | 48 | 198 |
| Non-payment guarantees | 1 | 12 |
| Non-revocable letters of credit | - | 1 |
| Payment guarantees | 47 | 179 |
| Other | - | 6 |
| **Total commitments and contingent liabilities** | **1 206** | **1 167** |

Collaterals received comprise the following:

*In millions of EUR*

| | 30 June 2008 | 31 December 2007 |
|---|---|---|
| Accepted guarantees | 623 | 250 |
| Value of property received as collateral | 786 | 441 |
| Assets acquired on the basis of derivatives | 1 | - |
| **Total collaterals received** | **1 410** | **691** |

## *F.23. Related party transactions*

### F.23.1. Investment in associates

Transactions with associates represent mainly insurance connected to consumer loans and provided by insurance entities within Generali PPF Holding to Home Credit entities and ordinary banking services provided by Nomos-Bank in Russia.

During the first half of 2008 the Group had the following significant transactions with associates:

*In millions of EUR, for the six months ended 30 June*

| | 2008 |
|---|---|
| Interest and similar expenses | 8 |
| Fee and commission income | (34) |
| Net expense related to credit risk insurance | 7 |
| Operating income | (3) |
| **Total net income** | **(22)** |

As at the balance sheet date, the Group has the following balances with related parties:

*In millions of EUR*

| | 30 June 2008 |
|---|---|
| Loans and receivables due from customers | 1 |
| **Total assets** | **1** |
| Current accounts, deposits and loans from customers | (102) |
| Due to banks and other financial institutions | (38) |
| Debt securities issued | (135) |
| Other liabilities | (1) |
| **Total liabilities** | **(276)** |

### F.23.2. Other related parties

During the first half of 2008 the Group had not any significant transactions with other related parties.

## F.24. Earnings per share

The next table shows the earnings per share for the six months ended 30 June:

*In millions of EUR, for the six months ended 30 June*

| | 2008 | 2007 |
|---|---|---|
| Net income attributable to shareholders of the Parent Company | 2 731 | 215 |
| Net profit from continuing operations attributable to equity holders of the Parent Company | 34 | 1 |
| Net profit from discontinued operations | 2 697 | 214 |
| Weighted average number of shares | 66 738 | 66 738 |
| Basic and Diluted earning per share for profit for the year (EUR) | 40 921 | 3 222 |
| Basic and Diluted earning per share for profit from continuing operations (EUR) | 509 | 15 |
| Basic and Diluted earning per share for profit from discontinued operations (EUR) | 40 412 | 3 207 |

# G. Subsequent events

The Group has recognized these important non-adjusting events that have occurred since the balance sheet date up to 2 October 2008r:

## _G.1. PPF Group N.V. provided additional commercial loan to Eldorado, Russian retailer with consumer electronics_

On 6 September 2008 PPF Group N.V. provided an additional commercial loan in amount MEUR 100 to Eldorado, a major retail network operating in the consumer electronics sector in Russia. Loan previously provided to Eldorado by the Group, was also extended. The conditions of the additional financing assume a possibility of acquisition by the Group of a substantial, up to majority, stake in Eldorado. Such a move would be subject of regulatory approvals in Russia.

## _G.2. Share option transaction related to Zentiva shares_

On 19 August 2008 Anthiarose Ltd. and Česká pojišťovna a.s. (part of Generali PPF Holding) entered into the option transaction consisting of put option and call option agreement for transfer of 17.36% stake in Zentiva N.V. currently held by Česká pojišťovna a.s. Expiration date of the option transaction is 30 January 2009.

## _G.3. Acquisition of real estate structure_

On 1 September 2008 PPF Group N.V. acquired 100% share in PPF Real Estate Ltd. for TUSD 10. This entity controls managerial entity for administration of real estate projects and also A shares (representing 100% voting rights) in PPF PROPERTY LIMITED, real estate fund investing into several real estate projects approx. MUSD 200. The ownership of A shares represents full control over the fund but with limitation to receive economic benefits from the business that belong to the privat investors investing in the fund.

## _G.4. Loan participation notes issue_

In August 2008, loan participation notes of MUSD 450 were issued through Eurasia Capital S.A. Notes of MUSD 149 were used to replace portion of the previously issued USD denominated loan participation notes due in April 2010. The proceeds from the rest of the issue of MUSD 301 were used to grant an unsecured loan to the Group.

| Date: | Signature of the Authorised Representative: |
|---|---|
| 2 October 2008 | |